

Dihlabeng Local Municipality  
Financial statements  
for the year ended 30 June 2015

# Dihlabeng Local Municipality

Financial Statements for the year ended 30 June 2015

## General Information

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<b>Legal form of entity</b>	Local Municipality
<b>Members of the Executive committee</b>	
Chairperson	Councillor T M H Mofokeng
MMC for community services	Councillor M A Noosi
MMC for public works and rural development	Councillor T J Seekane
MMC for corporate services	Councillor P P Mokoena
MMC for human settlement	Councillor A L Rakhothule - Mkwanaasi
MMC for local economic development and tourism	Councillor C C Harrington
MMC for finance	Councillor M J Tshabalala
MMC for IDP, performance mangement and monotoring	Councillor T J Tseki
MMC for women, children, disability and vulnerable groups	Councillor T J Tshabalala
<b>Grading of local authority</b>	Grade 8
<b>Accounting Officer</b>	Mr. B Molatseli (Acting)
<b>Chief Finance Officer (CFO)</b>	Mr. P Khiba (Acting)
<b>Registered office</b>	9 Muller Street East Bethlehem 9701
<b>Business address</b>	9 Muller Street East Bethlehem 9701
<b>Postal address</b>	Po Box 551 Bethlehem 9701
<b>Bankers</b>	ABSA
<b>Auditors</b>	Auditor General of South Africa

# Dihlabeng Local Municipality

Financial Statements for the year ended 30 June 2015

## General Information

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### Members of the Dihlabeng Local Municipality

#### Ward no:

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#### Public Representative Councillors

Ms MA Noosi  
Mr LA Mhlambi  
Mrs HE Mokoena  
Ms LU Makhalema  
Mr PD Lengoabala  
Mrs TJ Tshabalala  
Mr LJ Lemako  
Mr JJH Pienaar  
Mr CC Harrington  
Ms MK Mofokeng

#### Executive Mayor:

#### Speaker:

#### Council WIP:

### Members of the Audit Committee:

Mr G Mahlatsi (Chairperson)  
Mr T Kometsi  
Mr D Mofokeng  
Mr R Levhengo  
Mr E Siwakwi

#### Councillor

Mrs MA Mokoena  
Mr S Msimanga  
Mr NN Nzimande  
Mr PP Mokoena  
Mr MD Shabalala  
Mr MJ Tshabalala  
Ms TM Mofokeng  
Mr TMH Mofokeng  
Mr RP Mofokeng  
Mr GJ Roetz  
Mr TA Masoeu  
Mr JM Radebe  
Mr TJ Seekane  
Mr TJ Tseki  
Ms ME Sempe  
Mrs SM Jacobs  
Mrs AL Rakhothule - Mkhwanazi  
Mr JF Bonthuys  
Mr M St V Mofokeng  
Ms MR Mokoena

Ms NE Mabizela  
Mr LJ Mosikili  
Mr MJ Mokoena  
Mr BDL Venter  
Mr PT Ramaele  
Mrs M Prior  
Mr PA Maasdorp  
Mr TV Mofokeng  
Mr PHJ Olivier  
Mr D Stevens

Councillor TMH Mofokeng  
Councillor PD Lengoabala  
Councillor LU Makhalema





# Dihlabeng Local Municipality

Financial Statements for the year ended 30 June 2015

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### Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
SARS	South African Revenue Services
VAT	Value Added Tax
CFO	Chief Financial Officer

# **Dihlabeng Local Municipality**

Financial Statements for the year ended 30 June 2015

## **Accounting Officer's Report**

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The accounting officer submits his report for the year ended 30 June 2015.

The financial statements set out on pages 7 to 88, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2015 and were signed on its behalf by:

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**Accounting Officer**  
**Designation**























# Dihlabeng Local Municipality

Financial Statements for the year ended 30 June 2015

## Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	2015	2014 Restated*
<b>Assets</b>			
Current Assets			
Inventories	3	720,196	1,155,342
Other financial assets	4	942,597	892,352
Receivables from exchange transactions	5	18,090,219	22,384,445
Receivables from non-exchange transactions	6	4,774,310	3,425,733
Trade receivables from exchange and non-exchange transactions	7	61,936,072	60,415,148
Cash and cash equivalents	8	996,351	1,658,014
		<b>87,459,745</b>	<b>89,931,034</b>
Non-Current Assets			
Biological assets that form part of an agricultural activity	9	3,798,825	2,795,450
Investment property	10	76,471,194	76,471,194
Property, plant and equipment	11	1,865,659,489	1,873,596,087
Intangible assets	12	69,758	103,620
Heritage assets	13	1	1
Other financial assets	4	503,196	404,089
		<b>1,946,502,463</b>	<b>1,953,370,441</b>
<b>Total Assets</b>		<b>2,033,962,208</b>	<b>2,043,301,475</b>
<b>Liabilities</b>			
Current Liabilities			
Other financial liabilities	14	3,504,480	17,369,115
Payables from exchange transactions	15	189,234,163	172,902,890
VAT payable	16	27,990,199	23,508,642
Consumer deposits	17	4,914,870	3,715,810
Unspent conditional grants and receipts	18	5,606,735	9,779,659
Provisions	19	20,143,114	18,410,193
Bank overdraft	8	3,560,942	9,656,173
		<b>254,954,503</b>	<b>255,342,482</b>
Non-Current Liabilities			
Other financial liabilities	14	43,937,393	32,056,461
Employee benefit obligation	20	21,547,000	23,352,000
Provisions	19	3,374,395	1,426,998
Long services leave awards		12,563,000	11,428,000
		<b>81,421,788</b>	<b>68,263,459</b>
<b>Total Liabilities</b>		<b>336,376,291</b>	<b>323,605,941</b>
<b>Net Assets</b>		<b>1,697,585,917</b>	<b>1,719,695,534</b>
Accumulated surplus		1,697,585,919	1,719,695,535

\* See Note 46

# Dihlabeng Local Municipality

Financial Statements for the year ended 30 June 2015

## Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	23	312,638,595	304,350,640
Rendering of services		1,713,079	1,349,894
Bad debts recovered		863,756	6,079,980
Rental of facilities and equipment	24	4,168,115	4,055,234
Interest received (trading)		33,683,321	27,014,225
Licences and permits		114,506	200,544
Other income	25	3,476,890	4,017,669
Interest received - investment	26	4,426	10,706
Dividends received	26	6,311	5,860
<b>Total revenue from exchange transactions</b>		<b>356,668,999</b>	<b>347,084,752</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	27	80,254,632	76,851,137
<b>Transfer revenue and fines</b>			
Government grants and subsidies	28	198,264,911	201,772,345
Fines, Penalties and Forfeits		31,566,955	30,545,708
<b>Total revenue from non-exchange transactions</b>		<b>310,086,498</b>	<b>309,169,190</b>
<b>Total revenue</b>	22	<b>666,755,497</b>	<b>656,253,942</b>
<b>Expenditure</b>			
Employee costs	29	(174,709,500)	(172,183,980)
Remuneration of councillors	30	(13,705,242)	(12,978,943)
Depreciation, impairment and amortisation	31	(64,445,658)	(65,053,164)
Finance costs	32	(18,787,486)	(14,606,264)
Debt Impairment	33	(144,278,355)	(130,802,823)
Repairs and maintenance		(14,936,520)	(16,202,702)
Bulk purchases	34	(125,929,574)	(115,933,357)
Contracted services	35	(1,630,198)	(2,587,729)
Indigent subsidies	36	(9,099,394)	(8,442,645)
General expenses	37	(124,808,912)	(121,795,378)
<b>Total expenditure</b>		<b>(692,330,839)</b>	<b>(660,586,985)</b>
<b>Operating deficit</b>		<b>(25,575,342)</b>	<b>(4,333,043)</b>
Gain (loss) on disposal of assets and liabilities		168,253	(3,991,604)
Fair value adjustments in investments	38	145,099	129,079
Actuarial gain / (loss)		2,149,000	4,864,000
Fair value adjustment of game stock		1,003,375	1,645,250
		<b>3,465,727</b>	<b>2,646,725</b>
<b>Deficit for the year</b>		<b>(22,109,615)</b>	<b>(1,686,318)</b>

\* See Note 46

# Dihlabeng Local Municipality

Financial Statements for the year ended 30 June 2015

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	1,705,331,237	1,705,331,237
Adjustments		
Correction of errors	16,050,615	16,050,615
<b>Balance at 01 July 2013 as restated*</b>	<b>1,721,381,852</b>	<b>1,721,381,852</b>
Changes in net assets		
Deficit for the year	(1,686,317)	(1,686,317)
Total changes	(1,686,317)	(1,686,317)
Opening balance as previously reported	1,697,406,817	1,697,406,817
Adjustments		
Change in accounting policy	6,238,102	6,238,102
Prior year adjustments	16,050,615	16,050,615
<b>Restated* Balance at 01 July 2014 as restated*</b>	<b>1,719,695,534</b>	<b>1,719,695,534</b>
Changes in net assets		
Surplus for the year	(22,109,615)	(22,109,615)
Total changes	(22,109,615)	(22,109,615)
<b>Balance at 30 June 2015</b>	<b>1,697,585,919</b>	<b>1,697,585,919</b>
Note(s)		

\* See Note 46

# Dihlabeng Local Municipality

Financial Statements for the year ended 30 June 2015

## Cash Flow Statement

Figures in Rand	Note(s)	2015	2014 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		291,942,898	286,602,841
Grants		184,992,592	195,936,313
Interest income		33,687,747	27,024,931
Dividends received		6,311	5,860
		<u>510,629,548</u>	<u>509,569,945</u>
<b>Payments</b>			
Employee costs		(184,959,742)	(182,132,923)
Suppliers		(243,166,899)	(241,906,501)
Finance costs		(18,787,486)	(14,606,264)
		<u>(446,914,127)</u>	<u>(438,645,688)</u>
<b>Net cash flows from operating activities</b>	41	<b><u>63,715,421</u></b>	<b><u>70,924,257</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	11	(56,466,403)	(85,610,665)
Proceeds from sale of property, plant and equipment	11	168,253	4,509,928
Purchase of other intangible assets	12	-	(86,300)
<b>Net cash flows from investing activities</b>		<b><u>(56,298,150)</u></b>	<b><u>(81,187,037)</u></b>
<b>Cash flows from financing activities</b>			
Increase of other financial liabilities		(1,983,702)	4,509,307
<b>Net cash flows from financing activities</b>		<b><u>(1,983,702)</u></b>	<b><u>4,509,307</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b><u>5,433,569</u></b>	<b><u>(5,753,473)</u></b>
Cash and cash equivalents at the beginning of the year		(7,998,160)	(2,244,686)
<b>Cash and cash equivalents at the end of the year</b>	8	<b><u>(2,564,591)</u></b>	<b><u>(7,998,159)</u></b>

\* See Note 46

# Dihlabeng Local Municipality

Financial Statements for the year ended 30 June 2015

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>2015</b>											
<b>Financial Performance</b>											
Property rates	83,150,545	-	83,150,545	-		83,150,545	80,254,632		(2,895,913)	97 %	97 %
Service charges	327,869,683	(151,127)	327,718,556	-		327,718,556	312,638,595		(15,079,961)	95 %	95 %
Investment revenue	26,660,693	3,000,000	29,660,693	-		29,660,693	33,694,058		4,033,365	114 %	126 %
Transfers recognised - operational	134,807,528	762,472	135,570,000	-		135,570,000	135,185,619		(384,381)	100 %	100 %
Other own revenue	30,507,912	(2,321,629)	28,186,283	-		28,186,283	104,982,593		76,796,310	372 %	344 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>602,996,361</b>	<b>1,289,716</b>	<b>604,286,077</b>	<b>-</b>		<b>604,286,077</b>	<b>666,755,497</b>		<b>62,469,420</b>	<b>110 %</b>	<b>111 %</b>
Employee costs	(176,073,980)	4,462,102	(171,611,878)	-	-	(171,611,878)	(174,709,500)	-	(3,097,622)	102 %	99 %
Remuneration of councillors	(12,429,344)	335,702	(12,093,642)	-	-	(12,093,642)	(13,705,242)	(1,611,600)	(1,611,600)	113 %	110 %
Debt impairment	(16,654,935)	(53,468,195)	(70,123,130)			(70,123,130)	(144,278,355)	(74,155,225)	(74,155,225)	206 %	866 %
Depreciation and asset impairment	(74,590,080)	-	(74,590,080)			(74,590,080)	(64,445,658)	-	10,144,422	86 %	86 %
Finance charges	(10,432,891)	-	(10,432,891)	-	-	(10,432,891)	(18,787,486)	(7,339,660)	(8,354,595)	180 %	180 %
Materials and bulk purchases	(126,539,838)	-	(126,539,838)	-	-	(126,539,838)	(125,929,574)	-	610,264	100 %	100 %
Other expenditure	(178,775,293)	45,526,656	(133,248,637)	-	-	(133,248,637)	(141,375,630)	(12,512,489)	(8,126,993)	106 %	79 %
<b>Total expenditure</b>	<b>(595,496,361)</b>	<b>(3,143,735)</b>	<b>(598,640,096)</b>	<b>-</b>	<b>-</b>	<b>(598,640,096)</b>	<b>(683,231,445)</b>	<b>(95,618,974)</b>	<b>(84,591,349)</b>	<b>114 %</b>	<b>115 %</b>
<b>Surplus/(Deficit)</b>	<b>7,500,000</b>	<b>(1,854,019)</b>	<b>5,645,981</b>	<b>-</b>		<b>5,645,981</b>	<b>(16,475,948)</b>		<b>(22,121,929)</b>	<b>(292)%</b>	<b>(220)%</b>

# Dihlabeng Local Municipality

Financial Statements for the year ended 30 June 2015

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	73,170,000	2,200,000	75,370,000	-		75,370,000	63,079,292		(12,290,708)	84 %	86 %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>80,670,000</b>	<b>345,981</b>	<b>81,015,981</b>	-		<b>81,015,981</b>	<b>46,603,344</b>		<b>(34,412,637)</b>	<b>58 %</b>	<b>58 %</b>
<b>Surplus/(Deficit) for the year</b>	<b>80,670,000</b>	<b>345,981</b>	<b>81,015,981</b>	-		<b>81,015,981</b>	<b>46,603,344</b>		<b>(34,412,637)</b>	<b>58 %</b>	<b>58 %</b>
<b>Capital expenditure and funds sources</b>											
Total capital expenditure	80,670,000	377,221	81,047,221	-		81,047,221	56,473,692		(24,573,529)	70 %	70 %
<b>Sources of capital funds</b>											
Transfers recognised - capital	73,170,000	2,200,000	75,370,000	-		75,370,000	-		(75,370,000)	- %	- %
Internally generated funds	7,500,000	(1,822,779)	5,677,221	-		5,677,221	-		(5,677,221)	- %	- %
<b>Total sources of capital funds</b>	<b>80,670,000</b>	<b>377,221</b>	<b>81,047,221</b>	-		<b>81,047,221</b>	-		<b>(81,047,221)</b>	<b>- %</b>	<b>- %</b>

# Dihlabeng Local Municipality

Financial Statements for the year ended 30 June 2015

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Cash flows</b>											
Net cash from (used) operating	91,102,891	345,981	91,448,872	-		91,448,872	63,715,421		(27,733,451)	70 %	70 %
Net cash from (used) investing	(80,670,000)	(377,221)	(81,047,221)	-		(81,047,221)	(56,298,150)		24,749,071	69 %	70 %
Net cash from (used) financing	(10,432,891)	-	(10,432,891)	-		(10,432,891)	(1,983,702)		8,449,189	19 %	19 %
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>-</b>	<b>(31,240)</b>	<b>(31,240)</b>	<b>-</b>		<b>(31,240)</b>	<b>5,433,569</b>		<b>5,464,809</b>	<b>(17,393)%</b>	<b>DIV/0 %</b>
Cash and cash equivalents at the beginning of the year	-	-	-	-		-	(7,998,160)		(7,998,160)	DIV/0 %	DIV/0 %
<b>Cash and cash equivalents at year end</b>	<b>-</b>	<b>(31,240)</b>	<b>(31,240)</b>	<b>-</b>		<b>(31,240)</b>	<b>(2,564,591)</b>		<b>2,533,351</b>	<b>8,209 %</b>	<b>DIV/0 %</b>



# Dihlabeng Local Municipality

Financial Statements for the year ended 30 June 2015

## Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
<b>2014</b>				
<b>Financial Performance</b>				
Property rates				76,851,137
Service charges				304,350,640
Investment revenue				23,077,554
Transfers recognised - operational				133,995,714
Other own revenue				80,067,014
<b>Total revenue (excluding capital transfers and contributions)</b>				<b>618,342,059</b>
Employee costs	(14,102,410)	-	(14,102,410)	(172,183,980)
Remuneration of councillors	-	-	-	(12,978,943)
Debt impairment	(9,285,505)	-	(9,285,505)	(130,802,823)
Depreciation and asset impairment	-	-	-	(65,053,164)
Finance charges	(9,872,310)	-	(9,872,310)	(14,606,264)
Materials and bulk purchases	-	-	-	(115,933,357)
Transfers and grants	-	-	-	(8,442,645)
Other expenditure	(1,132,468)	-	(1,132,468)	(144,742,843)
<b>Total expenditure</b>	<b>(34,392,693)</b>	<b>-</b>	<b>(34,392,693)</b>	<b>(664,744,019)</b>
<b>Surplus/(Deficit)</b>				<b>(46,401,960)</b>
Transfers recognised - capital				67,776,632
<b>Surplus (Deficit) after capital transfers and contributions</b>				<b>21,374,672</b>
<b>Surplus/(Deficit) for the year</b>				<b>21,374,672</b>
<b>Capital expenditure and funds sources</b>				
Total capital expenditure				424,245,485
<b>Sources of capital funds</b>				
Transfers recognised - capital				91,313,838

# Dihlabeng Local Municipality

Financial Statements for the year ended 30 June 2015

## Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
<b>Cash flows</b>				
Net cash from (used) operating				70,924,257
Net cash from (used) investing				(81,187,037)
Net cash from (used) financing				4,509,307
<b>Net increase/(decrease) in cash and cash equivalents</b>				<b>(5,753,473)</b>
Cash and cash equivalents at the beginning of the year				(2,244,686)
<b>Cash and cash equivalents at year end</b>				<b>(7,998,159)</b>

# Dihlabeng Local Municipality

Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

#### 1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the municipality.

#### 1.2 Going concern assumption

These financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

#### 1.3 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

##### Trade receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

##### Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

# Dihlabeng Local Municipality

Financial Statements for the year ended 30 June 2015

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### 1.3 Significant judgements and sources of estimation uncertainty (continued)

#### Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

#### Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

#### Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 20.

#### Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

#### Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

### 1.4 Biological assets that form part of an agricultural activity

The entity recognises a biological assets that form part of an agricultural activity or agricultural produce when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

# Dihlabeng Local Municipality

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### 1.4 Biological assets that form part of an agricultural activity (continued)

Biological assets that form part of an agricultural activity are measured at their fair value less costs to sell.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

A gain or loss arising on initial recognition of biological assets that form part of an agricultural activity or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of a biological assets that form part of an agricultural activity is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable is used to determine fair value.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

### 1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

#### Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

# Dihlabeng Local Municipality

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### 1.5 Investment property (continued)

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, are as follows:

### 1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for X,X and X which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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### 1.6 Property, plant and equipment (continued)

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

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Item	Depreciation method	Average useful life
Bins and containers	Straight line	5 - 22 years
Community assets - Buildings	Straight line	5 - 50 years
Community assets - Land		Infinite
Emergency equipment	Straight line	15 - 22 years
Furniture and fixtures	Straight line	5 - 22 years
Motor vehicles	Straight line	5 - 22 years
Infrastructure - Electrical	Straight line	5 - 50 years
Infrastructure - Roads	Straight line	7 - 80 years
Infrastructure - Sewer	Straight line	5 - 50 years
Infrastructure - Water	Straight line	5 - 100 years
Infrastructure - Solid waste - Land		Infinite

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# Dihlabeng Local Municipality

Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.6 Property, plant and equipment (continued)

Infrastructure - Solid waste - Buildings	Straight line	5 -50 years
Land owned		Infinite
Office equipment	Straight line	5 -22 years
Plant and equipment	Straight line	2 - 37 years
Railways	Straight line	5 - 50 years
Security equipment	Straight line	22 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

### 1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.



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Financial Statements for the year ended 30 June 2015

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### 1.7 Intangible assets (continued)

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	3 years

### 1.8 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

### Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

# Dihlabeng Local Municipality

Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.8 Heritage assets (continued)

#### Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

#### Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

#### Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

#### Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

#### Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

### 1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

# Dihlabeng Local Municipality

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## Accounting Policies

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### 1.9 Financial instruments (continued)

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

# Dihlabeng Local Municipality

Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.9 Financial instruments (continued)

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

#### Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

#### Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

# Dihlabeng Local Municipality

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### 1.9 Financial instruments (continued)

#### Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

#### Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

#### Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

# Dihlabeng Local Municipality

Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.9 Financial instruments (continued)

#### Derecognition

##### Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

##### Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

# Dihlabeng Local Municipality

Financial Statements for the year ended 30 June 2015

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### 1.9 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

#### Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are debited by the entity directly to net assets, net of any related income tax benefit [where applicable]. Transaction costs incurred on residual interests is accounted for as a deduction from net assets, net of any related income tax benefit [where applicable].

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

### 1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

#### Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

#### Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

# Dihlabeng Local Municipality

Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.10 Leases (continued)

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### 1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 1.12 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.



# Dihlabeng Local Municipality

Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.12 Impairment of cash-generating assets (continued)

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

#### Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

#### Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

#### Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

#### Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

#### Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

# Dihlabeng Local Municipality

Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.12 Impairment of cash-generating assets (continued)

#### Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

### 1.13 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow:  
[Specify criteria]

#### Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

# Dihlabeng Local Municipality

Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.13 Impairment of non-cash-generating assets (continued)

#### Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

#### Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

#### Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

#### Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

# Dihlabeng Local Municipality

Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.13 Impairment of non-cash-generating assets (continued)

#### Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

### 1.14 Employee benefits

#### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

# Dihlabeng Local Municipality

Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.14 Employee benefits (continued)

#### Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

#### Multi-employer plans and/or State plans and/or Composite social security programmes

The entity classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the entity accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the entity account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the entity account for the plan as if it was a defined contribution plan.

#### Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

# Dihlabeng Local Municipality

Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.14 Employee benefits (continued)

#### Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

# Dihlabeng Local Municipality

Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.14 Employee benefits (continued)

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

### Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

# Dihlabeng Local Municipality

Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.15 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

### 1.16 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.



# Dihlabeng Local Municipality

Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.17 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

# Dihlabeng Local Municipality

Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.17 Revenue from exchange transactions (continued)

#### Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

### 1.18 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

#### Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

# Dihlabeng Local Municipality

Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.18 Revenue from non-exchange transactions (continued)

#### Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

#### Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

### 1.19 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

### 1.20 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.21 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

### 1.22 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.23 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.24 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or

# Dihlabeng Local Municipality

Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.24 Irregular expenditure (continued)

- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.25 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2014/07/01 to 2015/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

### 1.26 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

## Notes to the Financial Statements

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Figures in Rand	2015	2014
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# Dihlabeng Local Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

### 2. Summary of the standards and pronouncements comprising the GRAP reporting framework for the 30 June 2013 financial year-end

#### 2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2015 or later periods. The effect of all these standards are currently being assessed:

Standard/ Interpretation:	Effective date: Years beginning on or after
• GRAP 18: Segment Reporting	01 April 2015
• GRAP 105: Transfers of functions between entities under common control	01 April 2015
• GRAP 106: Transfers of functions between entities not under common control	01 April 2015
• GRAP 20: Related parties	01 April 2016
• IGRAP 11: Consolidation – Special purpose entities	01 April 2015
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2015
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2015
• GRAP 7 (as revised 2010): Investments in Associates	01 April 2015
• GRAP32: Service Concession Arrangements: Grantor	01 April 2016
• GRAP108: Statutory Receivables	01 April 2016
• IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2016
• DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP	01 April 2016

#### Additional text

- Additional text
- Additional text
- Additional text

The effective date of the is for years beginning on or after .

The municipality expects to adopt the for the first time in the 2001 financial statements.

### 3. Inventories

Consumable stores	387,785	448,309
Water	89,409	104,805
Fuel (Diesel, Petrol)	192,984	303,593
Water chemicals	50,018	298,635
	<b>720,196</b>	<b>1,155,342</b>

# Dihlabeng Local Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
<b>4. Other financial assets</b>		
<b>Designated at fair value</b>		
Listed shares	276,571	257,436
4 169 shares in Sanlam @ R66.34 (2014: R61.75)		
Unlisted shares	226,625	146,653
The unlisted investment consists of:		
8 662 shares in Oos Vrystaat Kaap Operations Ltd @ R13.35 (2014: R9.02)		
9 016 shares in Oos Vrystaat Kaap Holdings Ltd @ R12.31 (2014: R7.60)		
	226,625	146,653
	<b>503,196</b>	<b>404,089</b>
<b>At amortised cost</b>		
Sanlam short-term deposit	786,321	740,503
The short-term deposit at Sanlam is fixed and matures at a future date.		
ABSA short-term deposit	156,276	151,850
The short-term deposit at ABSA is fixed and matures at a future date.		
	<b>942,597</b>	<b>892,353</b>
<b>Total other financial assets</b>	<b>1,445,793</b>	<b>1,296,442</b>
<b>Non-current assets</b>		
Designated at fair value	503,196	404,089
<b>Current assets</b>		
At fair value	942,597	892,352
<b>5. Receivables from exchange transactions</b>		
Unbilled consumption to trade debtors	16,392,615	15,712,046
Other receivables	8,337	8,337
Pre-paid electricity from third party vendors	1,488,575	1,542,187
Sale of property debtors	450,000	5,091,316
Bank errors	(249,308)	30,559
	<b>18,090,219</b>	<b>22,384,445</b>
<b>6. Receivables from non-exchange transactions</b>		
Post office and petrol deposits	170,000	170,000
Unpaid traffic fines	51,622,706	26,323,500
Provision for traffic fines not recoverable	(47,018,396)	(23,067,767)
	<b>4,774,310</b>	<b>3,425,733</b>

# Dihlabeng Local Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
<b>7. Trade receivables</b>		
<b>Gross balances</b>		
<b>Receivables from non-exchange transactions</b>		
Rates	51,373,187	47,003,434
<b>Receivables from exchange transactions</b>		
Electricity	19,733,835	18,414,298
Water	139,747,061	104,177,634
Sewerage	79,584,162	63,989,476
Refuse	110,423,215	87,659,959
VAT billed	49,432,845	38,936,455
Interest, rent ect.	142,267,103	112,760,655
	<b>592,561,408</b>	<b>472,941,911</b>
<b>Less: Allowance for impairment</b>		
<b>Receivables from non-exchange transactions</b>		
Rates	(46,003,527)	(40,999,162)
<b>Receivables from exchange transactions</b>		
Electricity	(17,671,203)	(16,062,035)
Water	(125,140,332)	(90,778,063)
Sewerage	(71,265,817)	(55,815,387)
Refuse	(98,881,491)	(76,462,175)
VAT billed	(44,265,995)	(33,962,668)
Interest, rent ect	(127,396,972)	(98,447,273)
	<b>(530,625,337)</b>	<b>(412,526,763)</b>
<b>Net balance</b>		
<b>Receivables from non-exchange transactions</b>		
Rates	5,369,660	6,004,272
<b>Receivables from exchange transactions</b>		
Electricity	2,062,632	2,352,263
Water	14,606,729	13,399,571
Sewerage	8,318,345	8,174,089
Refuse	11,541,724	11,197,784
VAT billed	5,166,851	4,973,787
Interest, rent ect	14,870,131	14,313,382
	<b>61,936,072</b>	<b>60,415,148</b>
<b>Net receivables from non-exchange transactions</b>		
<b>Rates</b>		
Current (0 -30 days)	5,181,529	5,046,890
31 - 60 days	188,131	957,382
	<b>5,369,660</b>	<b>6,004,272</b>
<b>Net receivables from exchange transactions</b>		
<b>Electricity</b>		
Current (0 -30 days)	2,062,632	2,352,263
<b>Water</b>		
Current (0 -30 days)	5,197,156	5,145,403
31-60 days	4,377,346	3,485,046
61 - 90 days	5,032,227	2,705,556
91 - 120 days	-	2,063,566
	<b>14,606,729</b>	<b>13,399,571</b>

# Dihlabeng Local Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
<b>7. Trade receivables (continued)</b>		
<b>Sewerage</b>		
Current (0 -30 days)	3,131,586	2,942,984
31 - 60 days	2,022,315	1,725,244
61 - 90 days	1,734,337	1,625,797
91 - 120 days	1,430,107	1,477,414
121 - 365 days	-	402,650
	<b>8,318,345</b>	<b>8,174,089</b>
<b>Refuse</b>		
Current (0 -30 days)	2,934,300	2,685,618
31 - 60 days	2,294,404	2,088,065
61 - 90 days	2,215,732	2,016,048
91 - 120 days	2,187,341	1,975,344
121 - 365 days	1,909,947	2,432,709
	<b>11,541,724</b>	<b>11,197,784</b>
<b>VAT billed</b>		
Current (0 -30 days)	2,774,876	2,762,033
31 - 60 days	1,595,101	1,251,206
61 - 90 days	796,874	960,548
	<b>5,166,851</b>	<b>4,973,787</b>
<b>Other (specify)</b>		
Current (0 -30 days)	3,844,379	4,841,979
31 - 60 days	3,637,162	2,843,189
61 - 90 days	3,432,714	2,875,954
91 - 120 days	3,234,265	2,536,655
121 - 365 days	721,611	1,214,450
Debtors not included in the age analysis	-	1,155
	<b>14,870,131</b>	<b>14,313,382</b>



# Dihlabeng Local Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
<b>7. Trade receivables (continued)</b>		
<b>Summary of trade receivables by customer classification</b>		
<b>Consumers / Industrial / Commercial</b>		
Current (0 -30 days)	29,206,087	29,681,768
31 - 60 days	16,727,282	13,644,318
61 - 90 days	14,830,710	11,792,214
91 - 120 days	13,331,139	11,116,152
121 - 365 days	101,122,827	80,483,200
> 365 days	406,907,718	314,202,590
	582,125,763	460,920,242
Less: Allowance for impairment	(530,625,336)	(412,526,763)
	<b>51,500,427</b>	<b>48,393,479</b>
<b>National and provincial government</b>		
Current (0 -30 days)	2,118,682	2,459,023
31 - 60 days	1,623,053	1,260,249
61 - 90 days	549,314	982,576
91 - 120 days	361,585	435,214
121 - 365 days	2,652,260	3,199,229
> 365 days	3,130,752	3,685,378
	10,435,646	12,021,669
<b>Total</b>		
Current (0 -30 days)	31,324,769	32,140,791
31 - 60 days	18,350,334	14,904,567
61 - 90 days	15,380,024	12,774,789
91 - 120 days	13,692,724	11,551,366
121 - 365 days	103,775,087	83,682,429
> 365 days	410,038,471	317,887,969
	592,561,409	472,941,911
Less: Allowance for impairment	(530,625,336)	(412,526,763)
	<b>61,936,073</b>	<b>60,415,148</b>
<b>Less: Allowance for impairment</b>		
Current (0 -30 days)	(6,198,309)	1,785,304
31 - 60 days	(4,235,875)	(6,039,482)
61 - 90 days	(2,168,141)	(5,296,442)
91 - 120 days	(6,841,990)	(5,561,954)
121 - 365 days	(101,142,550)	(79,527,374)
> 365 days	(410,038,471)	(317,886,814)
	<b>(530,625,336)</b>	<b>(412,526,762)</b>
<b>Total debtor past due but not impaired</b>		
Current (0 -30 days)	25,126,460	33,926,095
31 - 60 days	14,114,459	8,865,085
61 - 90 days	13,211,883	7,478,347
91 - 120 days	6,850,734	5,989,412
121 - 365 days	2,632,537	4,155,056
> 365 days	-	1,153
	<b>61,936,073</b>	<b>60,415,148</b>

# Dihlabeng Local Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
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### 7. Trade receivables (continued)

#### Reconciliation of allowance for impairment

Balance at beginning of the year	(412,526,762)	(342,766,919)
Contributions to allowance	(118,098,574)	(113,011,959)
Debt impairment written off against allowance	-	43,252,116
	<b>(530,625,336)</b>	<b>(412,526,762)</b>

#### Consumer debtors impaired

As of 30 June 2015, consumer debtors of R530,625,336 (2014: R 412,526,762) were impaired and provided for.

The amount of the provision was R118,098,573 as of 30 June 2015 (2014: R 101,082,529).

### 8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	136,766	143,266
Bank balances	859,585	1,514,748
Bank overdraft	(3,560,942)	(9,656,173)
	<b>(2,564,591)</b>	<b>(7,998,159)</b>
Current assets	996,351	1,658,014
Current liabilities	(3,560,942)	(9,656,173)
	<b>(2,564,591)</b>	<b>(7,998,159)</b>

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	30 June 2014	30 June 2013	30 June 2015	30 June 2014	30 June 2013
ABSA Bank - Cheque account (Primary) - 405-289-8966	6,841,614	(4,801,794)	300,205	(3,560,942)	(9,656,173)	(2,849,614)
ABSA Bank - Cheque account (Project) - 100-001-0223	892,401	1,014,792	40,803	859,585	1,514,748	474,363
<b>Total</b>	<b>7,734,015</b>	<b>(3,787,002)</b>	<b>341,008</b>	<b>(2,701,357)</b>	<b>(8,141,425)</b>	<b>(2,375,251)</b>

### 9. Biological assets that form part of an agricultural activity

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Game stock	3,798,825	-	3,798,825	2,795,450	-	2,795,450

#### Reconciliation of biological assets that form part of an agricultural activity - 2015

	Opening balance	Gains or losses arising from changes in fair value	Total
Game stock	2,795,450	1,003,375	3,798,825

# Dihlabeng Local Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
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### 9. Biological assets that form part of an agricultural activity (continued)

#### Reconciliation of biological assets that form part of an agricultural activity - 2014

	Opening balance	Gains or losses arising from changes in fair value	Total
Game stock	1,150,200	1,645,250	2,795,450

#### Non - Financial information

##### Quantities of each biological asset

Game stock	1,283	1,092
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The stock count were performed by the community services department on 26 June 2015. The Department of Economic, small business development, tourist and environmental affairs of the Free State (DESTEA) assists the municipality in the management of the Wolhutterskop Private Nature reserve.

### 10. Investment property

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	76,471,194	-	76,471,194	76,471,194	-	76,471,194

#### Reconciliation of investment property - 2015

	Opening balance	Total
Investment property	76,471,194	76,471,194

#### Reconciliation of investment property - 2014

	Opening balance	Total
Investment property	76,471,194	76,471,194

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

At initial recognition, the municipality measures investment property at costs and the fair value model is applied to investment property for subsequent measurement. Under the fair value model, investment property is carried at this fair value at the reporting date.

The fair value of the property is supported by market evidence.

Revaluations were performed by an independent valuator, Mr Arthur Lelosa Independent Valuers, who holds a recognised and relevant qualification, during 2013. The new valuation roll were implemented on 1 July 2013. A certificate to this extent was received from the above-mentioned valuator.

There are no restrictions on the reliability of investment property or the remittance of revenue and proceeds on disposal.

# Dihlabeng Local Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand

2015

2014

### 11. Property, plant and equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Bins and containers	1,257,505	(883,814)	373,691	1,257,505	(807,374)	450,131
Community assets - Buildings	242,017,270	(48,269,083)	193,748,187	231,826,682	(40,402,629)	191,424,053
Community assets - Land	142,296,849	-	142,296,849	142,296,849	-	142,296,849
Emergency equipment	337,267	(223,413)	113,854	333,120	(196,704)	136,416
Furniture and fixtures	4,422,426	(3,024,411)	1,398,015	4,355,470	(2,424,309)	1,931,161
Infrastructure - Electrical	153,435,778	(47,416,647)	106,019,131	150,955,130	(41,965,565)	108,989,565
Infrastructure - Roads	375,338,106	(128,846,240)	246,491,866	366,254,848	(112,666,229)	253,588,619
Infrastructure - Sewer	368,565,989	(90,883,512)	277,682,477	329,416,009	(78,307,477)	251,108,532
Infrastructure - Water	413,301,782	(90,028,411)	323,273,371	355,110,528	(75,177,679)	279,932,849
Infrastructure solid waste - Buildings	13,930,005	(3,944,695)	9,985,310	13,930,005	(3,363,191)	10,566,814
Infrastructure solid waste - Land	4,605,363	-	4,605,363	4,605,363	-	4,605,363
Land - owned	424,157,854	-	424,157,854	424,157,854	-	424,157,854
Leased assets	-	1	1	-	1	1
Motor vehicles	12,584,886	(8,431,675)	4,153,211	12,467,530	(7,756,531)	4,710,999
Office equipment	9,827,165	(8,037,201)	1,789,964	9,244,463	(6,726,005)	2,518,458
Plant and equipment	16,076,717	(11,001,375)	5,075,342	15,913,785	(9,401,566)	6,512,219
Railways	48,755,739	(18,960,565)	29,795,174	48,755,739	(16,251,913)	32,503,826
Security equipment	6,139	(5,862)	277	6,139	(5,583)	556
Work-in-progress	94,699,552	-	94,699,552	158,161,822	-	158,161,822
<b>Total</b>	<b>2,325,616,392</b>	<b>(459,956,903)</b>	<b>1,865,659,489</b>	<b>2,269,048,841</b>	<b>(395,452,754)</b>	<b>1,873,596,087</b>

# Dihlabeng Local Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand

### 11. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Bins and containers	450,131	-	-	-	(76,308)	(132)	373,691
Community assets - Buildings	191,424,053	2,478,919	7,711,669	-	(7,866,455)	-	193,748,186
Community assets - Land	142,296,849	-	-	-	-	-	142,296,849
Emergency equipment	136,416	-	-	1,353	(17,011)	(6,904)	113,854
Furniture and fixtures	1,931,162	56,267	-	1,456	(422,779)	(168,090)	1,398,016
Infrastructure - Electrical	108,989,565	2,480,648	-	-	(5,451,082)	-	106,019,131
Infrastructure - Roads	253,588,619	5,515,642	3,567,616	-	(16,180,011)	-	246,491,866
Infrastructure - Sewer	251,108,532	1,649,233	37,500,747	-	(12,576,036)	-	277,682,476
Infrastructure - Water	279,932,849	1,010,661	57,180,592	-	(14,850,732)	-	323,273,370
Infrastructure solid waste - Buildings	10,566,814	-	-	-	(581,504)	-	9,985,310
Infrastructure solid waste - Land	4,605,363	-	-	-	-	-	4,605,363
Land - owned	424,157,854	-	-	-	-	-	424,157,854
Leased assets	1	-	-	-	-	-	1
Motor vehicles	4,710,999	117,356	-	-	(659,317)	(15,827)	4,153,211
Office equipment	2,518,458	579,560	-	292	(719,250)	(589,097)	1,789,963
Plant and equipment	6,512,219	79,763	-	5,693	(1,109,894)	(412,439)	5,075,342
Railways	32,503,826	-	-	-	(2,708,652)	-	29,795,174
Security equipment	556	-	-	-	(279)	-	277
Work-in-progress	158,161,822	42,498,354	(105,960,624)	-	-	-	94,699,552
	<b>1,873,596,088</b>	<b>56,466,403</b>	<b>-</b>	<b>8,794</b>	<b>(63,219,310)</b>	<b>(1,192,489)</b>	<b>1,865,659,486</b>

# Dihlabeng Local Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand

### 11. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Bins and containers	526,470	-	-	-	-	(76,339)	-	450,131
Community assets - Buildings	150,800,902	12,119,267	-	36,851,193	-	(8,347,309)	-	191,424,053
Community assets - Land	140,301,863	1,994,986	-	-	-	-	-	142,296,849
Emergency equipment	178,549	-	-	-	-	(17,404)	(24,729)	136,416
Furniture and fixtures	2,118,690	296,323	(975)	-	832	(457,813)	(25,895)	1,931,162
Infrastructure - Electrical	114,833,778	306,186	-	-	-	(6,150,399)	-	108,989,565
Infrastructure - Roads	241,291,182	5,809,062	-	22,902,916	-	(16,414,541)	-	253,588,619
Infrastructure - Sewer	263,785,381	238,260	-	-	-	(12,915,109)	-	251,108,532
Infrastructure - Water	290,028,435	2,864,373	-	142,000	-	(13,101,959)	-	279,932,849
Infrastructure solid waste - Building	11,163,575	-	-	-	-	(596,761)	-	10,566,814
Infrastructure solid waste - Land	4,605,363	-	-	-	-	-	-	4,605,363
Land - owned	431,647,854	-	(7,490,000)	-	-	-	-	424,157,854
Leased assets	1	-	-	-	-	-	-	1
Motor vehicles	6,480,921	-	(1,624,499)	-	729,754	(784,340)	(90,837)	4,710,999
Office equipment	3,317,302	1,115,448	(281,874)	-	214,099	(973,393)	(873,124)	2,518,458
Plant and equipment	6,987,320	1,041,431	(245,474)	-	196,606	(1,249,107)	(218,557)	6,512,219
Railways	35,212,478	-	-	-	-	(2,708,652)	-	32,503,826
Security equipment	835	-	-	-	-	(279)	-	556
Work-in-progress	158,232,602	59,825,329	-	(59,896,109)	-	-	-	158,161,822
	<b>1,861,513,501</b>	<b>85,610,665</b>	<b>(9,642,822)</b>	<b>-</b>	<b>1,141,291</b>	<b>(63,793,405)</b>	<b>(1,233,142)</b>	<b>1,873,596,088</b>

#### Depreciation rates

#### Details of asset register

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

# Dihlabeng Local Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
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### 12. Intangible assets

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	2,079,733	(2,009,975)	69,758	2,079,733	(1,976,113)	103,620

#### Reconciliation of intangible assets - 2015

	Opening balance	Amortisation	Total
Computer software, other	103,619	(33,862)	69,757

#### Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software, other	43,935	86,300	(26,616)	103,619

### 13. Heritage assets

	2015			2014		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
<b>Heritage assets which fair values cannot be reliably measured: (Para .94)</b>						
Heritage assets at nominal value	1	-	1	1	-	1

#### Heritage assets which fair values cannot be reliably measured

The following heritage assets were not recognised due to a reliable measurement not being possible on initial recognition is as follows:

- Town Hall - Bethlehem
- Pretoriuskloof Nature Reserve - Bethlehem
- Loch Athlone dam wall - Bethlehem
- Library market - Clarens
- Old Neder Gereformeerde Mission Church Parsonage - Bethlehem (Traffic offices)

# Dihlabeng Local Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
<b>14. Other financial liabilities</b>		
<b>At amortised cost</b>		
Development Bank of Southern Africa (DBSA)	47,441,873	49,425,576
Interest will be charged at 10% per year. The loan is repayable in monthly installments of R621,615 over a period of 10 years.		
<b>Non-current liabilities</b>		
At amortised cost	43,937,393	32,056,461
<b>Current liabilities</b>		
At amortised cost	3,504,480	17,369,115
<b>15. Payables from exchange transactions</b>		
Trade payables	166,639,456	156,671,073
Trade receivables with credit balances	5,584,238	5,331,419
Deposits received	161,256	108,666
Sundry creditors	9,732,944	3,932,711
Salary related creditors	7,116,269	6,859,021
	<b>189,234,163</b>	<b>172,902,890</b>
<b>16. VAT payable</b>		
VAT accrued on accounts receivable	48,997,143	38,572,806
VAT accrued on accounts payable	(19,943,328)	(13,566,242)
VAT refundable by SARS	(1,063,616)	(1,497,922)
	<b>27,990,199</b>	<b>23,508,642</b>
<b>17. Consumer deposits</b>		
Water and electricity	4,914,870	3,715,810
<b>18. Unspent conditional grants and receipts</b>		
<b>Unspent conditional grants and receipts comprises of:</b>		
<b>Unspent conditional grants and receipts</b>		
Municipal Infrastructure Grant	5,317,110	5,915,961
Department of Water Affairs Grant	(881,416)	3,863,698
Department of Water Affairs Operating grant	(280,340)	-
Library Grant	1,451,381	-
	<b>5,606,735</b>	<b>9,779,659</b>
<b>Movement during the year</b>		
Balance at the beginning of the year	9,779,659	7,173,047
Additions during the year	65,037,946	69,004,956
Income recognition during the year	(63,294,910)	(66,398,344)
Unspend MIG grant recovered from Equitable share allocation	(5,915,960)	-
	<b>5,606,735</b>	<b>9,779,659</b>

The nature and extent of government grants recognised in the financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and



# Dihlabeng Local Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
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### 18. Unspent conditional grants and receipts (continued)

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

### 19. Provisions

#### Reconciliation of provisions - 2015

	Opening Balance	Additions	Total
Environmental rehabilitation	1,426,998	1,947,397	3,374,395
Bonus provision	3,848,693	272,021	4,120,714
Leave provision	14,561,500	1,460,900	16,022,400
	<b>19,837,191</b>	<b>3,680,318</b>	<b>23,517,509</b>

#### Reconciliation of provisions - 2014

	Opening Balance	Additions	Reversed during the year	Total
Environmental rehabilitation	1,327,440	99,558	-	1,426,998
Illegal corner dumping	985,500	-	(985,500)	-
Bonus provision	3,804,804	43,889	-	3,848,693
Leave provision	13,074,687	1,486,813	-	14,561,500
	<b>19,192,431</b>	<b>1,630,260</b>	<b>(985,500)</b>	<b>19,837,191</b>

Non-current liabilities	3,374,395	1,426,998
Current liabilities	20,143,114	18,410,193
	<b>23,517,509</b>	<b>19,837,191</b>

#### Environmental rehabilitation provision

The new dumping site became operational on 1 December 2010 as the old dumping site was closed. On a monthly basis the site is filled with approximately 13 200 cubic meters of cover material, garden waste, industrial waste and building rubble. The landfill site was assessed by Metsi Metseng Geological & Environmental Services and based on the assessment, the provision for the rehabilitation and the closure of the landfill site was calculated over a period of 20 years.

The following key assumptions were made that can impact considerably on the calculation of the provision if they change:

- provision was made to dispose of 2 658 800 cubic metre waste that will fill an area of 129 600 square metres x 18 metres high over a lifespan of 20 years
- an average disposal tempo of 160 cubic metres per day over the 20 year lifespan was used for costing calculations
- an annual inflationary increase of 7,5% was used for the projected cost

Proper management of the site will increase the number of years of operation and will ensure that environmental compliance is adhered to. The timing of the cashflow is uncertain.

The discounted cash flow method was used to calculate the yearly provision.

# Dihlabeng Local Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
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### 19. Provisions (continued)

#### Bonus provision

The bonus provision is based on the pro-rata portion of the bonuses due to the employees. Annual bonuses are paid to employees in the anniversary month of their employment.

#### Leave provision

Leave provision is based on the outstanding obligation of the municipality regarding the leave balance of the employees at year-end.

### 20. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

#### Carrying value

Present value of the defined benefit obligation-wholly unfunded	(21,547,000)	(23,352,000)
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Changes in the present value of the defined benefit obligation are as follows:

Opening balance	(23,352,000)	(27,375,000)
Benefits paid	1,578,000	1,624,000
Net expense recognised in the statement of financial performance	227,000	2,399,000
	<b>(21,547,000)</b>	<b>(23,352,000)</b>

Net expense recognised in the statement of financial performance

Current service cost	(136,000)	(359,000)
Past service cost	(2,012,000)	(2,106,000)
Actuarial (gains) losses	2,375,000	4,864,000
	<b>227,000</b>	<b>2,399,000</b>

#### Key assumptions used

The post retirement medical aid liability is valued on a generally accepted actuarial valuation method. The liability was calculated on a member-by-member basis, taking into account the liabilities arising in respect of principal members and their spouses. Ages are calculated as per age on 30 June 2014.

The projected unit credit method was used as prescribed by IAS 19 and GRAP 25. This method is based on the approximation that the post-retirement benefit is notionally built up over the employees' working life.

The actuarial valuation of the PRMA (post-retirement medical aid) liability involves the following:

- the projection of future post-retirement medical contribution subsidy cash flows, taking into account the probabilities of survival, withdrawal, ill-health retirement, early retirement and death in service.
- the medical contribution subsidies arising in respect of adult dependents of employees.
- increasing the projected subsidy cashflows in line with expected long-term contribution escalation.
- discounting these cashflows in order to express the PRMA liability in current Rand terms.

Discount rates used	Note a	8.91 %
CPI (Consumer price inflation)	Note b	7.02 %
Medical cost trend rates	Note c	8.02 %
Net effective discount rate	Note d	0.82 %

# Dihlabeng Local Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
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### 20. Employee benefit obligations (continued)

**Note a:** Discount rate: GRAP 25 defines the determination of the Discount rate assumption to be used as follows:

"The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

**Note b:** CPI (Consumer Price Inflation) - Difference between nominal and yield curves.

**Note c:** Medical Aid Contribution Inflation - CPI + 1%

**Note d:** Net effective discount rate - yield curve based.

#### Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose. All councillors and employees belong to three defined benefit retirement funds. One fund is administered by the Provincial Pension Fund. The last actuarial valuation as at 30 June 2005 are in the process of being finalised and will be submitted to the Municipality once approved by the executive committee of the fund. Information could not be obtained for the other two funds regarding the administrators no the actuaries.

The municipality is under no obligation to cover any unfunded benefits.

### 21. Finance lease receivables

The unguaranteed residual values of assets leased under finance lease at the end of the reporting period amount to R - (2014: R -).

The municipality entered into finance leasing arrangements for certain of its motor vehicles and equipment.

The average lease terms are x-y years and the average effective lending rate was -% (2014: 9%).

None of the trade and other receivables have been pledged as security for liabilities or contingent liabilities.

### 22. Revenue

Rendering of services	1,713,079	1,349,894
Service charges	312,638,595	304,350,640
Bad debts recovered	863,756	6,079,980
Rental of facilities and equipment	4,168,115	4,055,234
Interest received (trading)	33,683,321	27,014,225
Licences and permits	114,506	200,544
Other income	3,476,890	4,017,669
Interest received - investment	4,426	10,706
Dividends received	6,311	5,860
Property rates	80,254,632	76,851,137
Government grants and subsidies	198,264,911	201,772,345
Fines and penalties	31,566,955	30,545,708
	<b>666,755,497</b>	<b>656,253,942</b>

# Dihlabeng Local Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
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### 22. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	312,638,595	304,350,640
Rendering of services	1,713,079	1,349,894
Royalty income	863,756	6,079,980
Rental of facilities and equipment	4,168,115	4,055,234
Interest received (trading)	33,683,321	27,014,225
Licences and permits	114,506	200,544
Other income	3,476,890	4,017,669
Interest received - investment	4,426	10,706
Dividends received	6,311	5,860
	<b>356,668,999</b>	<b>347,084,752</b>

The amount included in revenue arising from non-exchange transactions is as follows:

#### Taxation revenue

Property rates	80,254,632	76,851,137
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#### Transfer revenue

Government grants and subsidies	198,264,911	201,772,345
Fines and penalties	31,566,955	30,545,708

**310,086,498 309,169,190**

### 23. Service charges

Sale of electricity	162,263,479	157,908,743
Sale of water	63,902,161	65,077,274
Sewerage and sanitation charges	44,179,198	41,630,927
Refuse removal	42,293,757	39,733,697
	<b>312,638,595</b>	<b>304,350,641</b>

Water distribution losses for the year 28.8% (2014: 42%)

Electricity distribution losses for the year 2.97% (2014: 7.41%)

### 24. Rental of facilities and equipment

#### Premises

Premises	3,900,762	3,715,283
Venue hire	1,524	1,965
	<b>3,902,286</b>	<b>3,717,248</b>

#### Facilities and equipment

Rental of equipment	265,829	337,986
	<b>4,168,115</b>	<b>4,055,234</b>

# Dihlabeng Local Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
<b>25. Other income</b>		
Advertising income	582,973	552,767
Blocked sewerage charges	28,433	27,088
Building plan fees	423,034	300,685
Clearance certificates	255,973	211,514
Encroachment charges	331,746	253,565
Escorting of abnormal freights	147,193	120,349
Insurance claim received	273,405	935,461
Landing charges	34,815	19,250
Parking meter income	416	650
Photocopies and faxes	2,596	1,915
Pound sales	15,320	13,264
Railway siding	-	64,572
Skills development levies received	469,959	375,301
Sundry income	442,968	1,065,324
Sundry income: Electricity	438,976	56,000
Sundry income: Parks	5,986	699
Sundry income: Traffic	23,096	19,266
	<b>3,476,889</b>	<b>4,017,670</b>
<b>26. Investment revenue</b>		
<b>Dividend revenue</b>		
Investments	6,311	5,860
<b>Interest revenue</b>		
Investment	4,426	10,706
	<b>10,737</b>	<b>16,566</b>

The amount included in Investment revenue arising from non-exchange transactions amounted to R10,737.

# Dihlabeng Local Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
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### 27. Property rates

#### Rates received

Residential	32,140,861	28,000,697
Commercial	33,291,479	32,662,342
State	11,967,525	12,143,234
Small holdings and farms	2,854,767	4,044,863
	<b>80,254,632</b>	<b>76,851,136</b>

#### Valuations

	R '000	R '000
Residential	5,451,884	5,452,517
Commercial	1,662,926	1,667,987
Government	649,362	650,762
Municipal	793,733	811,152
Small holdings and farms	2,802,168	2,786,066
	<b>11,360,073</b>	<b>11,368,484</b>

Valuations on land and buildings are performed every four years. The last general valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of R0.0068 (2014: R0.0068) is applied to residential and small holding property valuations to determine assessment rates. Rebates of R22,000 (2014: R22,000) are granted to residential properties and a further 25% (2014: 25%) rebate to pensioners.

A general rate of R0.0198 (2014: R0.0198) is applied to business, industrial, commercial and public service infrastructure property valuations to determine assessment rates. Rebates of 50% (2014: 50%) are granted to public service infrastructure only.

A general rate of R0.0068 (2014: R0.0068) is applied to farm property valuations to determine assessment rates. Rebates of 85% (2014: 85%) are granted to farmers. The rebates granted to farmers are done in accordance with Section 21 of the Municipal Property Rates Act (Act no 6 of 2004).

Rates to farmers and national government are levied on an annual basis with the final date for payment being 7 August 2015. Rates for all other consumers are levied on a monthly basis with the final date for payment before the 7th of each month. Interest at prime plus 1% per annum (2014: prime plus 1%) is levied on rates outstanding after the due date.

The new general valuation will be implemented on 01 July 2017.

# Dihlabeng Local Municipality

Financial Statements for the year ended 30 June 2015

## Company Secretary's Certification

### 28. Government grants and subsidies

#### Operating grants

Equitable share	125,096,350	124,544,640
Expanded Public Works Programme Grant	1,067,000	1,000,000
Municipal Systems Improvement Grant	934,000	890,000
Equitable shares - Councillors Remuneration Grant	6,272,650	5,189,360
Financial Management Grant	1,600,000	1,550,000
Library Grant	215,619	821,714
	<b>135,185,619</b>	<b>133,995,714</b>

#### Capital grants

Municipal infrastructure grant (MIG)	29,092,890	43,200,039
Department of Water affairs grant (DWAF)	28,206,061	22,376,592
Water operating grant	5,780,341	2,200,000
	<b>63,079,292</b>	<b>67,776,631</b>
	<b>198,264,911</b>	<b>201,772,345</b>

#### Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	63,014,546	67,776,631
Unconditional grants received	134,970,576	133,995,714
	<b>197,985,122</b>	<b>201,772,345</b>

#### Equitable Share

Current-year receipts	119,180,350	124,544,640
Conditions met - transferred to revenue	(125,096,311)	(124,544,640)
Unspent MIG grant recovered	5,915,961	-
	<b>-</b>	<b>-</b>

The equitable share allocation was fully utilised during the financial year.

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

#### Equitable Share - Councillors Remuneration Grant

Current-year receipts	6,272,650	5,189,360
Conditions met - transferred to revenue	(6,272,650)	(5,189,360)
	<b>-</b>	<b>-</b>

The councillors remuneration grant was fully utilised during the financial year.

#### Municipal Infrastructure Grant

Balance unspent at beginning of year	5,915,961	-
Current-year receipts	34,410,000	49,116,000
Conditions met - transferred to revenue	(29,092,890)	(43,200,039)
Unspent grant recovered from Equitable share	(5,915,961)	-
	<b>5,317,110</b>	<b>5,915,961</b>

Conditions still to be met - remain liabilities (see note 18).

This grant is utilised for the upgrading of sports facilities, sanitation (upgrading of waste water treatment works) and the construction of roads.

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### 28. Government grants and subsidies (continued)

#### Municipal Systems Improvement Grant

Current-year receipts	934,000	890,000
Conditions met - transferred to revenue	(934,000)	(890,000)
	-	-

The municipal systems improvement grant was fully utilised during the financial year.

#### Financial Management Grant

Current-year receipts	1,600,000	1,550,000
Conditions met - transferred to revenue	(1,600,000)	(1,550,000)
	-	-

The municipal management grant was fully utilised during the financial year.

#### Expanded Public Works Programme Grant

Current-year receipts	1,067,000	1,000,000
Conditions met - transferred to revenue	(1,067,000)	(1,000,000)
	-	-

The expanded public works programme grant was fully utilised during the financial year.

#### Department of Water Affairs Grant

Balance unspent at beginning of year	3,863,699	7,011,811
Current-year receipts	23,460,946	19,228,480
Conditions met - transferred to revenue	(28,206,061)	(22,376,592)
	<b>(881,416)</b>	<b>3,863,699</b>

The Department of Water Affairs grant received was fully utilised during the financial year and the municipality have used their own funds for certain expenditure that will be recovered from the next grant allocation - remain liabilities (see note 18).

This grant is utilised for the upgrading of the water infrastructure network to Paul Roux and Rosendal.

#### Water Services Operating Grant

Current-year receipts	5,500,000	2,200,000
Conditions met - transferred to revenue	(5,780,341)	(2,200,000)
	<b>(280,341)</b>	-

The Water service operating grant received was fully utilised during the financial year and the municipality have used their own funds for certain expenditure that will be recovered from the next grant allocation - remain liabilities (see note 18).

#### Library Grant

Balance unspent at beginning of year	-	161,236
Current-year receipts	1,667,000	660,478
Conditions met - transferred to revenue	(215,619)	(821,714)
	<b>1,451,381</b>	-

Conditions still to be met - remain liabilities (see note 18).

#### Changes in level of government grants

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# Dihlabeng Local Municipality

Financial Statements for the year ended 30 June 2015

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### 28. Government grants and subsidies (continued)

Based on the allocations set out in the Division of Revenue Act, (Act 5 of 2015) no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

### 29. Employee costs

Basic	100,251,861	97,315,467
Bonus	7,707,424	9,765,035
Medical aid - company contributions	13,229,045	13,147,318
UIF company contributions	1,027,050	1,101,765
Other payroll levies	62,688	60,655
Leave pay provision charge	2,624,932	3,160,566
Defined contribution plans	3,493,406	2,990,272
Overtime payments	8,066,136	7,902,208
Acting allowances	4,949,526	4,729,515
Car allowance	3,418,903	4,293,086
Housing benefits and allowances	373,066	276,893
Group life insurance	230,635	209,219
Pensionfund contributions	17,800,058	17,061,008
Other allowances	896,192	737,828
Telephone allowances	246,038	197,599
Relief payments	2,630,508	1,777,323
	<b>167,007,468</b>	<b>164,725,757</b>

### Remuneration of municipal manager

Annual remuneration	812,929	751,862
Car allowance	131,044	324,469
Leave paid out	-	182,110
Contributions to UIF, Medical and Pension Funds	9,183	148,794
Cellphone allowance	12,000	15,000
	<b>965,156</b>	<b>1,422,235</b>

Mr B Molotsi as from 1 November 2014 to 30 June 2015.

### Remuneration of chief finance officer

Annual remuneration	932,611	887,427
Car allowance	333,135	301,299
Contributions to UIF, Medical and Pension Funds	14,396	13,743
Cellphone allowance	12,000	12,000
	<b>1,292,142</b>	<b>1,214,469</b>

Mr RP Provis from 1 July 2014 to 26 June 2015.

### Remuneration of director public works

Annual remuneration	947,804	887,427
Car allowance	333,494	321,090
Contributions to UIF, Medical and Pension Funds	14,037	13,150
Cellphone allowance	12,000	12,000
	<b>1,307,335</b>	<b>1,233,667</b>

Mr AB Masuku from 1 July 2014 to 30 June 2015.

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### 29. Employee costs (continued)

#### Remuneration of director corporate services

Annual remuneration	932,710	665,570
Car allowance	374,605	262,251
Contributions to UIF, Medical and Pension Funds	14,876	9,863
Other	12,000	9,000
Acting allowance as municipal manager	94,160	-
	<b>1,428,351</b>	<b>946,684</b>

Mr BP Molatseli from 1 July 2014 to 30 June 2015.

#### Remuneration of director community services

Annual Remuneration	947,804	887,427
Car Allowance	335,141	325,179
Contributions to UIF, Medical and Pension Funds	14,886	14,257
Cellphone allowance	12,000	12,000
Leave paid out	75,967	71,138
Acting allowance as municipal manager	21,102	39,520
	<b>1,406,900</b>	<b>1,349,521</b>

Mrs MC Sepheka from 1 July 2014 to 30 June 2015.

#### Remuneration director of local economic development

Annual remuneration	947,804	887,427
Car allowance	328,293	307,222
Contributions to UIF, Medical and Pension Funds	14,048	13,862
Leave paid out	-	71,137
Other	12,000	12,000
	<b>1,302,145</b>	<b>1,291,648</b>

Mrs GT Hadebe from 1 July 2014 to 30 June 2015.

# Dihlabeng Local Municipality

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### 30. Remuneration of councillors

2015	Allowance	Travel allowance	Cell phone allowance	Total
Executive Mayor	602,455	143,575	20,868	766,898
Speaker	481,962	114,860	20,868	617,690
Chief whip	451,840	107,682	20,868	580,390
Chairman Public Accounts committee	359,277	80,459	16,623	456,359
Chairman Policy committee	38,296	9,574	3,478	51,348
Mayoral executive committee	3,614,724	861,453	166,944	4,643,121
Councillors	4,888,699	1,167,126	565,356	6,621,181
	<b>10,437,253</b>	<b>2,484,729</b>	<b>815,005</b>	<b>13,736,987</b>

  

2014	Allowance	Travel allowance	Cell phone allowance	Total
Executive Mayor	570,006	140,760	20,868	731,634
Speaker	456,046	112,608	20,868	589,522
Chief whip	427,556	105,570	20,868	553,994
Chairman Public Accounts committee	166,395	41,055	8,695	216,145
Mayoral executive committee	3,455,811	853,588	168,866	4,478,265
Councillors	4,275,251	1,302,257	591,711	6,169,219
	<b>9,351,065</b>	<b>2,555,838</b>	<b>831,876</b>	<b>12,738,779</b>

### In-kind benefits

The Mayor, Speaker, Chief whip, Chairpersons of committees and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor and the Speaker each have the use of separate Council owned vehicles for official duties.

### 31. Depreciation, impairment and amortisation

Intangible assets	33,862	26,616
Property, plant and equipment	64,411,796	65,026,549
	<b>64,445,658</b>	<b>65,053,165</b>

### 32. Finance costs

Penalties and Interest on late payment of VAT	930,496	1,273,707
Other interest paid	17,856,990	13,332,557
	<b>18,787,486</b>	<b>14,606,264</b>

### 33. Debt impairment

Contribution to debt impairment provision	118,098,573	107,162,509
Contributions to debt impairment provision	24,562,889	23,640,314
Bad debts written off	1,616,893	-
	<b>144,278,355</b>	<b>130,802,823</b>

### 34. Bulk purchases

Electricity	125,929,574	115,933,357
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# Dihlabeng Local Municipality

Financial Statements for the year ended 30 June 2015

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### 35. Contracted services

Meter reading services - Kopanong CC	1,630,198	2,587,729
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### 36. Grants and subsidies paid

#### Other subsidies

Indigent consumers	9,099,394	8,442,645
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### 37. General expenses

Advertising	351,417	654,844
Assets expensed	159,826	745,299
Auditors remuneration	5,172,914	4,570,708
Bank charges	1,236,373	964,480
Bursaries	2,272,199	2,174,860
Capital projects	(835,610)	(408,318)
Chemicals	2,528,924	2,505,851
Commission paid	2,074,880	1,960,653
Community development and training	6,158,378	12,498,847
Consulting and professional fees	17,829,809	6,917,470
Consumables	89,332	162,769
Disaster management	763,647	1,548,906
Donations	1,835,441	2,920,130
Electricity charges	67,927	85,914
Entertainment	256,929	1,378,187
Fines and penalties	166,487	129,048
Flowers	64,966	188,138
Fuel and oil	8,154,989	9,262,632
Insurance	5,272,799	9,375,357
Lease expenses	18,625,241	18,436,759
License fees	2,133,339	2,849,871
Management of landfill site	10,178,189	4,223,818
Pauper burials	106,330	86,389
Postage and courier	1,730,872	1,478,579
Printing and stationery	685,723	827,425
Promotions and marketing	24,419	409,645
Public participation expenses	4,809,733	4,836,643
Rental of equipment	10,239,111	8,495,166
Security (Guarding of municipal property)	11,155,571	12,083,787
Staff training	1,504,668	2,859,042
Subscriptions and membership fees	3,267,086	3,178,337
Telephone and fax	2,904,432	2,393,164
Travel - local	2,487,543	1,991,789
Uniforms	1,335,025	9,187
	<b>124,808,909</b>	<b>121,795,376</b>

### 38. Fair value adjustments

#### Other financial assets / liabilities

• Investments	145,099	129,079
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### 39. Auditors' remuneration

Fees	5,172,914	4,570,708
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# Dihlabeng Local Municipality

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### 40. Operating lease income

#### Projected income from operating lease agreements

- within one year	597,229	446,332
- in second to fifth year inclusive	1,677,173	1,903,629
- longer than five years	751,496	1,823,904
	<b>3,025,898</b>	<b>4,173,865</b>

Rental contracts for the different flats (100), vacant land (7) and houses (160) are signed for a period of 12 months, thereafter the contract is done on a month to month basis. All the house and flat contracts got a month notice period. New tenants are normally found within that period. The projected income are thus only included in the period within one year. Contacts for business premises (7) rental are signed for a periods from 3 year to 9 years and 11 months. Escalation on these contracts are done on an annual basis linked to the inflation rate.

### 41. Cash generated from operations

Deficit	(22,109,615)	(1,686,317)
<b>Adjustments for:</b>		
Depreciation and amortisation	64,445,658	65,053,164
Profit on sale of assets and liabilities	(168,253)	3,991,604
Fair value adjustment on game stock	(1,003,375)	(1,645,250)
Actuarial gain	(2,149,000)	(4,864,000)
Fair value adjustments	(145,099)	(129,079)
Debt impairment	144,278,355	130,802,823
Movements in retirement benefit assets and liabilities	(1,805,000)	(4,023,000)
Movements in provisions	3,680,318	(782,238)
Indigent grant allocation	9,099,394	8,442,645
<b>Changes in working capital:</b>		
Inventories	435,146	238,372
Receivables from exchange transactions	4,294,227	(10,714,553)
Consumer debtors	(121,236,390)	(111,362,697)
Other receivables from non-exchange transactions	(25,911,466)	(23,280,641)
Payables from exchange transactions	10,502,830	10,074,152
VAT	4,481,556	8,261,127
Unspent conditional grants and receipts	(4,172,925)	2,606,612
Consumer deposits	1,199,060	(58,467)
	<b>63,715,421</b>	<b>70,924,257</b>

### 42. Financial instruments disclosure

#### Categories of financial instruments

2015

#### Financial assets

	At fair value	At amortised cost	At cost	Total
Other financial assets	503,196	942,597	-	1,445,793
Trade and other receivables from exchange transactions	-	18,090,219	-	18,090,219
Other receivables from non-exchange transactions	-	4,604,310	170,000	4,774,310
Consumer debtors	61,936,072	-	-	61,936,072
Cash and cash equivalents	-	996,351	-	996,351
	<b>62,439,268</b>	<b>24,633,477</b>	<b>170,000</b>	<b>87,242,745</b>

#### Financial liabilities

	At amortised cost	Total
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# Dihlabeng Local Municipality

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### Financial instruments disclosure (continued)

Other financial liabilities	47,441,873	47,441,873
Trade and other payables from exchange transactions	189,234,163	189,234,163
VAT payable	27,990,199	27,990,199
Bank overdraft	3,560,942	3,560,942
	<b>268,227,177</b>	<b>268,227,177</b>

### 2014

#### Financial assets

	At fair value	At amortised cost	At cost	Total
Other financial assets	404,089	892,353	-	1,296,442
Trade and other receivables from exchange transactions	-	22,384,445	-	22,384,445
Other receivables from non-exchange transactions	-	3,255,733	170,000	3,425,733
Consumer debtors	60,415,148	-	-	60,415,148
Cash and cash equivalents	-	1,658,014	-	1,658,014
	<b>60,819,237</b>	<b>28,190,545</b>	<b>170,000</b>	<b>89,179,782</b>

#### Financial liabilities

	At amortised cost	Total
Other financial liabilities	49,425,576	49,425,576
Trade and other payables from exchange transactions	172,902,890	172,902,890
VAT payable	23,508,642	23,508,642
Bank overdraft	9,656,173	9,656,173
	<b>255,493,281</b>	<b>255,493,281</b>

### Financial instruments in Statement of financial performance

### 2015

	At fair value	At amortised cost	Total
Fair value adjustment on financial instruments	145,099	-	145,099
Interest income (calculated using effective interest method) for financial instruments at amortised cost	-	4,426	4,426
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	-	(18,787,486)	(18,787,486)
	<b>145,099</b>	<b>(18,783,060)</b>	<b>(18,637,961)</b>

### 2014

	At fair value	At amortised cost	Total
Fair value adjustment on financial instruments	129,079	-	129,079
Interest income (calculated using effective interest method) for financial instruments at amortised cost	-	10,706	10,706
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	-	(14,606,264)	(14,606,264)
	<b>129,079</b>	<b>(14,595,558)</b>	<b>(14,466,479)</b>

# Dihlabeng Local Municipality

Financial Statements for the year ended 30 June 2015

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### 43. Commitments

#### Authorised capital and operational expenditure

##### Capital expenditure

• Property, plant and equipment	90,870,826	72,671,500
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##### Operational expenditure

• Repairs and maintenance	-	981,515
• Insurance	19,375,347	-
• Uniforms and protective clothing	-	875,000
• Laboratory services	53,834	-
• Co-ordinator for the Dihlabeng Summer Festival	1,000,000	-
• Clarens conservation fee	70,000	280,000
	<b>20,499,181</b>	<b>2,136,515</b>

##### Total commitments

Capital commitments	90,870,826	72,671,500
Operational expenditure	20,499,181	2,136,515
	<b>111,370,007</b>	<b>74,808,015</b>

This committed expenditure of the following cannot be determined due to the variable nature of the contract:

Project Description: Carboncor - Supply and delivery of 25 kg bags of cold mix asphalt

Project Value: R63.84 per 25kg bag

Expenditure to date: R2 396 298 (2015) R520 934 (2014)

Project Description: Oos Vrystaat Grondverskuiwing - Hire of yellow plant and equipment

Project Value: As per pricing schedule

Expenditure to date: R8 928 853 (2015) R1 448 743 (2014)

Project Description: Lele and Tshidi - Sealing and re-sealing of road surfaces

Project Value: As per pricing schedule

Expenditure to date: R3 859 470 (2015)

Project Description: Dakota - Supply and delivery of roads and stormwater maintenance and construction materials

Project Value: As per pricing schedule

Expenditure to date: R181 958 (2015)

Project Description: Hamisa - Supply and delivery of fuel

Project Value: As per regulated tariffs by Department of Energy

Expenditure to date: R3 301 689 (2015)

Project Description: Pumpshop Africa & Tecrover - Appointment of service provider to refurbish, maintain, supply, deliver and install electrical and mechanical equipment

Project Value: As per pricing schedule

Expenditure to date: R463 307 (2015)

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### 44. Contingencies

The following civil cases are currently being finalised:

**Shabbas Business Services CC:**

This case is handled by Breytenbach Mavuso Attorneys and is regarding a pavement management system that was done by the company and they claim that Council owe them an amount of R1,1 million. Possible liability of R1,1 million.

**Bruce Dixon Edward Weyer:**

This case is handled by Breytenbach Mavuso Attorneys and is regarding the renting and buying of a Caravan Park in Clarens. No liability for Council at this stage.

**Telkom Limited SA/DLM:**

This case is handled by Breytenbach Mavuso Attorneys and is regarding a claim that Telkom lodged against the Dihlabeng Local Municipality to the amount of R141 514. Telkom claim that a sewerage spillage damaged their equipment. Possible liability of R141 514.

**Udumo Trading 147 CC:**

This case is handled by Breytenbach Mavuso Attorneys and is regarding a claim that Udumo Trading lodged against the Dihlabeng Local Municipality for R1 159 000. Udumo claim that they completed a reservoir in Clarens and was not fully paid. Possible liability of R1 159 000.

**Wage curve agreements:**

Dihlabeng has not been task graded as yet and therefore the new T scales cannot be implemented. No job grade evaluations has been done either for the posts at DLM. Since this information is not available yet, no financial implications can be established. Only after the job evaluations has been accepted and approved by all the applicable parties a financial implication can be calculated.

**N and C Maintenance and Spares (Pty) Ltd:**

This case is handled by Breytenbach Mavuso Inc. and is regarding an outstanding payment for services rendered by N and C Maintenance and Spares (Pty) Ltd. Possible liability is not yet established.

**HJ van de Berg:**

This case is handled by Breytenbach Mavuso Inc and is regarding an insurance claim that is lodged by HJ van de Berg. The claimant was injured by falling on the sidewalk. Possible liability of R480 000.

**South African Municipal Workers Union (SAMWU) National Provident Fund:**

This case is handled by Breytenbach Mavuso Inc. The SAMWE Provident Fund is claiming an amount of R2 370 801 for loss of income due to the fact that dismissed employees changed pension funds. Possible liability of R2 370 801.

**GT Enslin and ZT Enslin:**

This case is handled by Symington and De Kok Attorneys, Bloemfontein, and is regarding a motor accident claim of Mr GT Enslin and ZT Enslin to the amount of R872 381. It must be noted that this is also an insurance claim. Possible liability of R872,381.

**Bethlehem Hydro (Pty) Ltd - Case no 1947/2015:**

This case is handled by Breytenbach Mavuso Inc. and is regarding the agreement between Dihlabeng and Bethlehem Hydro for the supply of electricity. Possible liability of R12 527 671.

**Razzmatazz Civils (Pty) Ltd:**

This case is handled by Breytenbach Mavuso Inc. and is regarding the awarding of a tender to Lele and Tshidi Construction and Plant Hire CC. Possible liability because the matter is still in court.



# Dihlabeng Local Municipality

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## Company Secretary's Certification

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### 45. Related parties

#### Relationships

Municipal staff members

Ahanang Retail Co-operative Ltd from Mr CP  
Changube and MA Maleka  
Motlohi Trading and Business Enterprise from Mr AT  
Ramakatsa and NS Miya

#### Related party transactions

##### Purchases from related parties

Motlohi Trading & Business Enterprise	3,000	-
Ahanang Retail Co-operative Ltd	32,500	-

### 46. Prior period errors

Correction of the accounting for traffic fines in terms of GRAP 23 and the related provision for the portion that is considered to be irrecoverable.

Traffic fines not accounted for in the previous year as they were deposited into the bank, but not yet receipted in the accounting system.

Land and buildings were adjusted to agree to the asset register. Depreciation were incorrectly written off against land in the previous years.

The provision for the Illegal corner dumping were written off. It is no longer considered to be a provision, as this is cleaned up as and when it happens.

The correction of the error(s) results in adjustments as follows:

#### Statement of financial position

Property, plant and equipment	2,603,882	21,900,067
Cash and cash equivalents	1,845,546	-
Consumer debtors	-	(5,849,452)
Opening Accumulated Surplus or Deficit	-	(16,050,615)
Provision	1,788,750	-

#### Statement of Financial Performance

Traffic fines	(26,760,046)	-
Provision for bad debts	24,914,500	-
Repairs and maintenance	(1,788,750)	-
Depreciation	(2,603,882)	-

#### Cash flow statement

### 47. Comparative figures

Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:

#### Statement of financial position

Provisions	(18,410,193)	(16,879,491)
Payables from exchange transactions	18,410,193	16,879,491

# Dihlabeng Local Municipality

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## Company Secretary's Certification

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### 48. Risk management

#### Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

#### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

<b>At 30 June 2015</b>	<b>Contractual cashflows</b>	<b>Within 12 months</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>
Non-Current liabilities	47,441,873	3,504,480	18,900,060	32,046,293
Payables from exchange transactions	189,234,163	189,234,163	-	-
Unspent conditional grants	5,606,735	5,606,735	-	-
<b>At 30 June 2014</b>	<b>Contractual cashflows</b>	<b>Within 12 months</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>
Non-current financial liability	62,965,552	5,996,719	23,986,877	23,981,956
Payables from exchange transactions	189,994,446	189,994,446	-	-
Unspent conditional grants	9,779,660	9,779,660	-	-

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the council. Outstanding accounts are followed up monthly and the supply of electricity accounts not paid on due dates are cut immediately.

#### Market risk

#### Risk from biological assets

The municipality is exposed to financial risks arising from changes in game prices. The municipality does not anticipate that game prices will decline significantly in the foreseeable future. The municipality reviews its outlook for game prices regularly in considering the need for active financial risk management.

#### Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

# Dihlabeng Local Municipality

Financial Statements for the year ended 30 June 2015

## Company Secretary's Certification

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### 48. Risk management (continued)

#### Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

### 49. Going concern

We draw attention to the fact that at 30 June 2015, the municipality had accumulated deficits of R1,697,585,919 and that the municipality's total liabilities exceed its assets by R1,697,585,919.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### 50. Events after the reporting date

No events after the reporting date has been identified.

### 51. Unauthorised expenditure

Unauthorised expenditure	95,618,974	34,392,693
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### 52. Fruitless and wasteful expenditure

Interest and penalties paid to SARS	930,496	1,273,707
Interest paid on Bethlehem Hydro account	3,403,270	1,028,572
Interest paid on Eskom account	9,294,140	7,429,717
Interest paid on arrears on DBSA and INCA loans	6,278	1,288,263
Interest on overdue account - Mashinini Enterprise	149,267	74,421
Interest on overdue account - Auditor General	26,984	81
Interest on overdue account - Telkom	8,834	-
Interest on overdue account - Balju Bethlehem	2,174	-
Interest on overdue account - Free State Provincial Government	1,304	-
	<b>13,822,747</b>	<b>11,094,761</b>

Interest and penalties paid on Eskom, SARS, DBSA and INCA loan and other creditors occurred due to cash flow constraints during the year.

### 53. Irregular expenditure

Opening balance	86,461,006	-
Add: Irregular Expenditure - current year	35,183,168	32,307,549
Add: Irregular expenditure related to prior year identified in the current year	-	54,153,457
	<b>121,644,174</b>	<b>86,461,006</b>

# Dihlabeng Local Municipality

Financial Statements for the year ended 30 June 2015

## Company Secretary's Certification

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### 53. Irregular expenditure (continued)

Details of irregular expenditure – current year (the following irregular expenditures were referred to MPAC for investigation)

	<b>Disciplinary steps taken/criminal proceedings</b>	
Cybko Security	The tendered amount for the rendering of security services was exceeded due to the increased number of guards requested by user departments.	12,541,251
GC Tech	Proper supply chain processes were not followed for the appointment of IT goods and services. GC Tech is a sub-contractor of BC Solutions.	231,328
Kopanong Services	Proper supply chain processes were followed for the tender. The initial tender was awarded but the supplier could not deliver on the terms and conditions. Kopanong was the second best tenderer and they were appointed to ensure service delivery is not hampered as it relates to the reading of water and electricity meters.	2,378,737
Little Venice	Proper supply chain processes were followed for the tender. The initial tender was awarded but the supplier could not deliver on the terms and conditions. They were sub-contractors.	719,502
Mashinini Enterprise Plant Hire	Misleading information was submitted by the competitive bidder and the contract was awarded to Mashinini for the maintenance of the landfill site.	9,411,840
Marwin Marketing	Misleading information was submitted by the competitive bidder and the contract was awarded to Mashinini for the maintenance of the landfill site.	1,754,665
Bohlokong Computer Solution	Proper supply chain processes were not followed for the supply of IT goods and services.	7,142,961
Kalosi Trading	Proper supply chain processes were not followed for procurement of easter cards	133,380
Sanitech	Proper supply chain processes were not followed for cleaning of VIP toilets	734,504
Zero Tolerance	Proper supply chain processes were not followed for additional security services during unrest / threats to the municipality	135,000
		<b>35,183,168</b>

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Financial Statements for the year ended 30 June 2015

## Company Secretary's Certification

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### 53. Irregular expenditure (continued)

#### Details of irregular expenditure prior year still under investigation

Fanas Outfitters CC	Proper supply chain processes were not followed for procurement of Mandela day t-shirts.	108,300
Lateral Unison Insurance	Proper supply chain processes were not followed for procurement of insurance service, New service level agreement was signed without going on tender after the contract was already extended.	8,599,620
MVD Xariep Consulting	Proper supply chain processes were not followed and the appointment of the supplier was risk based. The appointment was for the consulting service for installation of outfall sewer pipe in Bohlakong.	258,313
Ndlovu Ngwenyama Civil	Proper supply chain processes were not followed for the appointment of contractors on turn key projects in Paul Poux.	2,996,205
Cybko Security	The tendered amount for the rendering of security services was exceeded due to the increased number of guards requested by user departments.	11,673,375
Kgalapa Training Institution	Proper supply chain processes were not followed for the training of unskilled people.	232,734
GC Tech	Proper supply chain processes were not followed for the appointment of IT goods and services. GC Tech is a sub-contractor of BC Solutions.	302,505
TA Music Productions	Proper supply chain processes were not followed for the procurement of artists.	135,000
Liebenberg Transport	Proper supply chain processes were not followed for the procurement of transport to the premier's inauguration.	192,200
Kopanong Services	Proper supply chain processes were followed for the tender. The initial tender was awarded but the supplier could not deliver on the terms and conditions. Kopanong was the second best tenderer and they were appointed to ensure service delivery is not hampered as it relates to the reading of water and electricity meters.	2,423,756
Wandile Catering	Proper supply chain processes were not followed for the procurement of catering as the preferential points system were not used.	199,795
Travel World	Proper supply chain processes were not followed for the procurement of travel as 3 quotes were not obtained.	33,005
Little Venice	Proper supply chain processes were followed for the tender. The initial tender was awarded but the supplier could not deliver on the terms and conditions. They were sub-contractors.	137,545
Mashinini Enterprise Plant Hire	Misleading information was submitted by the competitive bidder and the contract was awarded to Mashinini for the maintenance of the landfill site.	9,411,840
Marwin Marketing	Proper supply chain processes were followed for the tender. The initial tender was awarded but the supplier could not deliver on the terms and conditions. The manufacturer that supplied the service provider was used to supply the municipality with chemicals.	2,223,618
Ahanang Retail Co-operative Ltd	Proper supply chain processes were not followed for the procurement of catering services.	82,500
Wasserman Teerwerke	Proper supply chain processes were not followed as the tender were not advertised for 21 days, but only 19 days. These tenders were also evaluated on functionality, but this was not stated in the invitation.	7,201,080

# Dihlabeng Local Municipality

Financial Statements for the year ended 30 June 2015

## Company Secretary's Certification

### 53. Irregular expenditure (continued)

MJ Mokoena Construction CC	Proper supply chain processes were not followed as these tenders were also evaluated on functionality, but this was not stated in the invitation.	9,805,918
Makhaotse Narasimulu & Associates	Proper supply chain processes were not followed as these tenders were also evaluated on functionality, but this was not stated in the invitation.	1,785,656
Bohlokong Computer Solution	Proper supply chain processes were not followed for the supply of IT goods and services.	6,293,511
Sugarberry Trading 544 CC	Proper supply chain processes were not followed as 3 quotes were not obtained.	3,000
Rud Nut Projects	Proper supply chain processes were not followed and the appointment for the supplier was risk based. The tender was for the sourcing of additional funding for the installation of meters.	9,833,168
Mhlambi Investments	Proper supply chain processes were not followed as the point were incorrectly calculated.	410,000
Walking Tall Trading and Projects 25	Proper supply chain processes were not followed as the tenders were not advertised for 14 days. These tenders were also evaluated on functionality, but this was not stated in the invitation.	1,175,000
Zam Entertainment	Proper supply chain processes were not followed as the tenders were not advertised for 14 days.	3,448,500
Mashinini Enterprise Trust	Proper supply chain processes were not followed as the tenders were not advertised for 14 days. These tenders were also evaluated on functionality, but this was not stated in the invitation.	7,494,862

**86,461,006**

### 54. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government

Opening balance	1,614,080	-
Current year subscription / fee	1,720,204	1,614,080
Amount paid - current year	(1,614,080)	-
	<b>1,720,204</b>	<b>1,614,080</b>

#### Audit fees

Opening balance	47,373	-
Current year fee	4,650,667	5,105,579
Amount paid - current year	(4,491,462)	(5,058,206)
Amount paid - previous years	(47,373)	-
	<b>159,205</b>	<b>47,373</b>

#### PAYE and UIF

Opening balance	1,631,796	1,433,492
Current year subscription / fee	19,148,237	19,419,178
Amount paid - current year	(17,465,373)	(17,787,382)
Amount paid - previous years	(1,631,796)	(1,433,492)
	<b>1,682,864</b>	<b>1,631,796</b>

# Dihlabeng Local Municipality

Financial Statements for the year ended 30 June 2015

## Company Secretary's Certification

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### 54. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Pension and Medical Aid Deductions

Opening balance	7,644,981	3,789,800
Current year subscription / fee	48,584,081	46,316,595
Amount paid - current year	(44,399,423)	(38,671,614)
Amount paid - previous years	(7,644,981)	(3,789,800)
	<b>4,184,658</b>	<b>7,644,981</b>

#### VAT

VAT payable	27,990,199	23,508,643
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VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

# Dihlabeng Local Municipality

Financial Statements for the year ended 30 June 2015

## Company Secretary's Certification

### 54. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2015:

30 June 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
PD Lengoabala	19,947	148,929	168,876
NN Nzimande	2,474	71,771	74,245
TA Masoeu	1,829	7,723	9,552
TM Mofokeng	1,686	3,766	5,452
TMH Mofokeng	1,058	53,933	54,991
J Nhlapo	2,051	27,702	29,753
JT Mokoena	1,818	4,493	6,311
MK Mofokeng	2,009	60	2,069
AM Noosi	1,950	19,890	21,840
L Lemako	4,734	6,738	11,472
TP Ramaele	1,770	20,478	22,248
JM Radebe	25	872	897
Mofokeng	1,968	10,638	12,606
F Mokoena	1,854	3,281	5,135
F Mhlambi	4,229	82,160	86,389
	<b>49,402</b>	<b>462,434</b>	<b>511,836</b>

30 June 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
PD Lengoabala	107,110	102,666	209,776
NN Nzimande	4,460	29,354	33,814
PP Mokoena	-	795	795
TA Masoeu	3,019	3,345	6,364
TM Mofokeng	2,156	3,120	5,276
TMH Mofokeng	1,352	1,316	2,668
DM Mofokeng	3,419	11,526	14,945
MS Mofokeng	1,759	1,739	3,498
J Nhlapo	1,796	22,128	23,924
JT Mokoena	2,608	6,475	9,083
	<b>127,679</b>	<b>182,464</b>	<b>310,143</b>

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2015	Highest outstanding amount	Aging (in days)
PD Lengoabala	168,876	120
NN Nzimande	74,245	120
TA Masoeu	9,551	120
TM Mofokeng	5,452	120
TMH Mofokeng	54,991	120
J Nhlapo	29,753	120
JT Mokoena	6,311	120
MK Mofokeng	2,069	120
AM Noosi	21,840	120
L Lemako	11,472	120
TP Ramaele	22,248	120
JM Radebe	897	120
Mofokeng	12,606	120



# Dihlabeng Local Municipality

Financial Statements for the year ended 30 June 2015

## Company Secretary's Certification

### 54. Additional disclosure in terms of Municipal Finance Management Act (continued)

F Mokoena	5,135	120
F Mhlambi	86,388	120
	<b>511,834</b>	<b>1,800</b>

### 30 June 2014

	Highest outstanding amount	Aging (in days)
PD Lengoabala	209,776	120
NN Nzimande	33,814	120
J Nhlapo	23,924	120
DM Mofokeng	14,945	120
JT Mokoena	9,083	120
TA Masoeu	6,364	120
TM Mofokeng	5,276	120
MS Mofokeng	3,498	120
TMH Mofokeng	2,668	120
PP Mokoena	795	120
	<b>310,143</b>	<b>1,200</b>

### Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

### Incident

Emergencies	435,457	3,215,837
Sole providers	2,037,977	2,046,102
	<b>2,473,434</b>	<b>5,261,939</b>

### The following suppliers did not disclose their service to the state:

Suppliers name	Related party	Amount
Motlohi Trading & Business Enterprise	AT Ramakatsa & NS Miya	22,500
Basadi Iketseng Trading	AM Noosi	201,835
Sugarberry Trading 544 CC	M Senkoto	5,600
Ahanang Retail Co-operative Ltd	CP Changube & MA Maleka	32,500
Yedwa Consulting	Spouse	251,045
		<b>513,480</b>

### 55. Budget differences

#### Material differences between budget and actual amounts

Refer to paragraph 2.4 of the Accounting officers report for the detail explanations of the material variances.

### 56. In-kind donations and assistance

About 1 010 blankets was donated to the elders and indigent people in different wards during the year.

The council whip donated 100 pairs of shoes to disadvantaged children at Bodikela and Matswataka schools.

20 food parcels were donated to Vogelfontein farm residence and 16 donated to unemployed residents at Duikfontein farm by the office of the mayor.

The municipality erected shacks destroyed by the fire in Bohlokong, and also erected shacks for the families affected by disaster/ storm during the year.

# Dihlabeng Local Municipality

## Appendix A

June 2015

### Schedule of external loans as at 30 June 2015

Loan Number	Redeemable	Balance at 30 June 2014	Received during the period	Redeemed written off during the period	Balance at 30 June 2015	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
<b>Development Bank of South Africa</b>							
Long term loan	61007269 30/06/2025	49,425,576	(1,983,703)	-	47,441,873	-	-
		<b>49,425,576</b>	<b>(1,983,703)</b>	<b>-</b>	<b>47,441,873</b>	<b>-</b>	<b>-</b>
<b>Total external loans</b>							
Development Bank of South Africa		49,425,576	(1,983,703)	-	47,441,873	-	-
		<b>49,425,576</b>	<b>(1,983,703)</b>	<b>-</b>	<b>47,441,873</b>	<b>-</b>	<b>-</b>

## June 2015

### Cost/Revaluation

### Land and buildings

Land Owned	424,157,854	-	-	-	-	-	424,157,854	-	-	-	-	-	-	424,157,854
Land - Solid waste	4,605,363	-	-	-	-	-	4,605,363	-	-	-	-	-	-	4,605,363
Buildings - Solid waste	13,930,005	-	-	-	-	-	13,930,005	(3,363,191)	-	-	(581,504)	-	(3,944,695)	9,985,310
	<b>442,693,222</b>	-	-	-	-	-	<b>442,693,222</b>	<b>(3,363,191)</b>	-	-	<b>(581,504)</b>	-	<b>(3,944,695)</b>	<b>438,748,527</b>

## Infrastructure

Water	355,110,528	1,010,661	-	57,180,592	-	<b>413,301,781</b>	(75,177,679)	-	-	(14,850,732)	-	<b>(90,028,411)</b>	323,273,370
Sewer	329,416,009	1,649,233	-	37,500,747	-	<b>368,565,989</b>	(78,307,477)	-	-	(12,576,036)	-	<b>(90,883,513)</b>	277,682,476
Roads	366,254,848	5,515,642	-	3,567,616	-	<b>375,338,106</b>	(112,666,229)	-	-	(16,180,011)	-	<b>(128,846,240)</b>	246,491,866
Electricity	150,955,130	2,480,648	-	-	-	<b>153,435,778</b>	(41,965,565)	-	-	(5,451,082)	-	<b>(47,416,647)</b>	106,019,131
Railways	48,755,739	-	-	-	-	<b>48,755,739</b>	(16,251,913)	-	-	(2,708,652)	-	<b>(18,960,565)</b>	29,795,174
Work in progress	158,161,822	42,498,354	-	(105,960,624)	-	<b>94,699,552</b>	-	-	-	-	-	-	94,699,552
	<b>1,408,654,076</b>	<b>53,154,538</b>	-	<b>(7,711,669)</b>	-	<b>1,454,096,945</b>	<b>(324,368,863)</b>	-	-	<b>(51,766,513)</b>	-	<b>(376,135,376)</b>	<b>1,077,961,569</b>

## Community Assets

Land	142,296,849	-	-	-	-	-	142,296,849	-	-	-	-	-	-	142,296,849
Buildings	231,826,682	2,478,919	-	7,711,669	-	-	242,017,270	(40,402,629)	-	-	(7,866,455)	-	(48,269,084)	193,748,186
	374,123,531	2,478,919	-	7,711,669	-	-	384,314,119	(40,402,629)	-	-	(7,866,455)	-	(48,269,084)	336,045,035

## June 2015

Motor vehicles	12,467,530	117,356	-	-	-	-	12,584,886	(7,756,531)	-	-	(659,317)	(15,827)	(8,431,675)	4,153,211	
Office equipment	9,244,463	579,560	-	-	-	292	9,824,315	(6,726,005)	-	-	(719,250)	(589,097)	(8,034,352)	1,789,963	
Bins and containers	1,257,505	-	-	-	-	-	1,257,505	(807,374)	-	-	(76,308)	(132)	(883,814)	373,691	
Emergency equipment	333,120	-	-	-	-	1,353	334,473	(196,704)	-	-	(17,011)	(6,904)	(220,619)	113,854	
Furniture & Fittings	4,355,470	56,267	-	-	-	1,456	4,413,193	(2,424,309)	-	-	(422,779)	(168,090)	(3,015,178)	1,398,015	
Security equipment	6,139	-	-	-	-	-	6,139	(5,583)	-	-	(279)	-	(5,862)	277	
Plant and equipment	15,913,785	79,763	-	-	-	5,693	15,999,241	(9,401,566)	-	-	(1,109,894)	(412,439)	(10,923,899)	5,075,342	
	<b>43,578,012</b>	<b>832,946</b>	-	-	-	-	<b>8,794</b>	<b>44,419,752</b>	<b>(27,318,072)</b>	-	-	<b>(3,004,838)</b>	<b>(1,192,489)</b>	<b>(31,515,399)</b>	<b>12,904,353</b>

## June 2015

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# Dhlabeng Local Municipality

## Dhlabeng Local Municipality

### Appendix B

Analysis of property, plant and equipment as at 30 June 2014	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Additions  Rand	Disposals  Rand	Transfers  Rand	Revaluations  Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals  Rand	Transfers  Rand	Depreciation  Rand	Impairment loss  Rand	Closing Balance Rand	Carrying value Rand
<b>Land and buildings</b>														
Land Owned	431,647,854	-	(7,490,000)	-	-	-	424,157,854	-	-	-	-	-	-	424,157,854
Land - Solid waste	4,605,363	-	-	-	-	-	4,605,363	-	-	-	-	-	-	4,605,363
Building - Solid waste	13,930,005	-	-	-	-	-	13,930,005	(2,766,430)	-	-	(596,761)	-	(3,363,191)	10,566,814
	<b>450,183,222</b>	<b>-</b>	<b>(7,490,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>442,693,222</b>	<b>(2,766,430)</b>	<b>-</b>	<b>-</b>	<b>(596,761)</b>	<b>-</b>	<b>(3,363,191)</b>	<b>439,330,031</b>
<b>Infrastructure</b>														
Water	352,104,155	2,864,373	-	142,000	-	-	355,110,528	(62,075,720)	-	-	(13,101,959)	-	(75,177,679)	279,932,849
Sewer	329,177,749	238,260	-	-	-	-	329,416,009	(65,392,368)	-	-	(12,915,109)	-	(78,307,477)	251,108,532
Roads	337,542,870	5,809,062	-	22,902,916	-	-	366,254,848	(96,251,688)	-	-	(16,414,541)	-	(112,666,229)	253,588,619
Electricity	150,648,944	306,186	-	-	-	-	150,955,130	(35,815,166)	-	-	(6,150,399)	-	(41,965,565)	108,989,565
Railways	48,755,739	-	-	-	-	-	48,755,739	(13,543,261)	-	-	(2,708,652)	-	(16,251,913)	32,503,826
Work in progress	158,232,602	59,825,329	-	(59,896,109)	-	-	158,161,822	-	-	-	-	-	-	158,161,822
	<b>1,376,462,059</b>	<b>69,043,210</b>	<b>-</b>	<b>(36,851,193)</b>	<b>-</b>	<b>-</b>	<b>1,408,654,076</b>	<b>(273,078,203)</b>	<b>-</b>	<b>-</b>	<b>(51,290,660)</b>	<b>-</b>	<b>(324,368,863)</b>	<b>1,084,285,213</b>
<b>Community Assets</b>														
Land	140,301,863	1,994,986	-	-	-	-	142,296,849	-	-	-	-	-	-	142,296,849
Buildings	182,856,222	12,119,267	-	36,851,193	-	-	231,826,682	(32,055,320)	-	-	(8,347,309)	-	(40,402,629)	191,424,053
	<b>323,158,085</b>	<b>14,114,253</b>	<b>-</b>	<b>36,851,193</b>	<b>-</b>	<b>-</b>	<b>374,123,531</b>	<b>(32,055,320)</b>	<b>-</b>	<b>-</b>	<b>(8,347,309)</b>	<b>-</b>	<b>(40,402,629)</b>	<b>333,720,902</b>

**Analysis of property, plant and equipment as at 30 June 2014**  
**Cost/Revaluation**                      **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Heritage assets</b>														
<b>Other assets</b>														
Motor vehicles	13,362,275	-	(1,624,499)	-	-	729,754	12,467,530	(6,881,354)	-	-	(784,340)	(90,837)	(7,756,531)	4,710,999
Office equipment	8,196,790	1,115,448	(281,874)	-	-	214,099	9,244,463	(4,879,488)	-	-	(973,393)	(873,124)	(6,726,005)	2,518,458
Bins and containers	1,257,505	-	-	-	-	-	1,257,505	(731,035)	-	-	(76,339)	-	(807,374)	450,131
Emergency equipment	333,120	-	-	-	-	-	333,120	(154,571)	-	-	(17,404)	(24,729)	(196,704)	136,416
Security equipment	6,139	-	-	-	-	-	6,139	(5,304)	-	-	(279)	-	(5,583)	556
Plant and equipment	14,921,222	1,041,431	(245,474)	-	-	196,606	15,913,785	(7,933,902)	-	-	(1,249,107)	(218,557)	(9,401,566)	6,512,219
Furniture and fixtures	4,059,190	296,323	(975)	-	-	832	4,355,370	(1,940,601)	-	-	(457,813)	(25,895)	(2,424,309)	1,931,061
	<b>42,136,241</b>	<b>2,453,202</b>	<b>(2,152,822)</b>	<b>-</b>	<b>-</b>	<b>1,141,291</b>	<b>43,577,912</b>	<b>(22,526,255)</b>	<b>-</b>	<b>-</b>	<b>(3,558,675)</b>	<b>(1,233,142)</b>	<b>(27,318,072)</b>	<b>16,259,840</b>

## June 2015

Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
450,183,222	-	(7,490,000)	-	-	-	442,693,222	(2,766,430)	-	-	(596,761)	-	(3,363,191)	439,330,031
1,376,462,059	69,043,210	-	(36,851,193)	-	-	1,408,654,076	(273,078,203)	-	-	(51,290,660)	-	(324,368,863)	1,084,285,213
323,158,085	14,114,253	-	36,851,193	-	-	374,123,531	(32,055,320)	-	-	(8,347,309)	-	(40,402,629)	333,720,902
42,136,241	2,453,202	(2,152,822)	-	-	1,141,291	43,577,912	(22,526,255)	-	-	(3,558,675)	(1,233,142)	(27,318,072)	16,259,840
2,191,939,607	85,610,665	(9,642,822)	-	-	1,141,291	2,269,048,741	(330,426,208)	-	-	(63,793,405)	(1,233,142)	(395,452,755)	1,873,595,986
1,150,200	-	-	-	1,645,250	-	2,795,450	-	-	-	-	-	-	2,795,450
1,150,200	-	-	-	1,645,250	-	2,795,450	-	-	-	-	-	-	2,795,450
1,993,433	86,300	-	-	-	-	2,079,733	(1,949,497)	-	-	(26,616)	-	(1,976,113)	103,620
1,993,433	86,300	-	-	-	-	2,079,733	(1,949,497)	-	-	(26,616)	-	(1,976,113)	103,620
76,471,194	-	-	-	-	-	76,471,194	-	-	-	-	-	-	76,471,194
76,471,194	-	-	-	-	-	76,471,194	-	-	-	-	-	-	76,471,194
450,183,222	-	(7,490,000)	-	-	-	442,693,222	(2,766,430)	-	-	(596,761)	-	(3,363,191)	439,330,031
1,376,462,059	69,043,210	-	(36,851,193)	-	-	1,408,654,076	(273,078,203)	-	-	(51,290,660)	-	(324,368,863)	1,084,285,213
323,158,085	14,114,253	-	36,851,193	-	-	374,123,531	(32,055,320)	-	-	(8,347,309)	-	(40,402,629)	333,720,902
42,136,241	2,453,202	(2,152,822)	-	-	1,141,291	43,577,912	(22,526,255)	-	-	(3,558,675)	(1,233,142)	(27,318,072)	16,259,840
1,150,200	-	-	-	1,645,250	-	2,795,450	-	-	-	-	-	-	2,795,450
1,993,433	86,300	-	-	-	-	2,079,733	(1,949,497)	-	-	(26,616)	-	(1,976,113)	103,620
76,471,194	-	-	-	-	-	76,471,194	-	-	-	-	-	-	76,471,194
2,271,554,434	85,696,965	(9,642,822)	-	1,645,250	1,141,291	2,350,395,118	(332,375,705)	-	-	(63,820,021)	(1,233,142)	(397,428,868)	1,952,966,250



# Dihlabeng Local Municipality

## Appendix C

June 2015

### Segmental analysis of property, plant and equipment as at 30 June 2015

#### Cost/Revaluation

#### Accumulated Depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
<b>Municipality</b>														
Mayor	501,824	-	-	-	-	-	501,824	-	-	-	-	-	-	501,824
Finance & Admin/Finance	55,384,685	-	-	-	-	-	55,384,685	-	-	-	-	-	-	55,384,685
Planning and Development/Economic Development/Plan	2,668,123	-	-	-	-	-	2,668,123	-	-	-	-	-	-	2,668,123
Corporate services	4,804,883	-	-	-	-	-	4,804,883	-	-	-	-	-	-	4,804,883
Comm. & Social/Libraries and archives	598,373,177	-	-	-	-	-	598,373,177	-	-	-	-	-	-	598,373,177
Mayoral office administration	5,518,049	-	-	-	-	-	5,518,049	-	-	-	-	-	-	5,518,049
Municipal manager administration	76,116,387	-	-	-	-	-	76,116,387	-	-	-	-	-	-	76,116,387
Sport and Recreation	(19,318)	-	-	-	-	-	(19,318)	-	-	-	-	-	-	(19,318)
Waste Water Management/Sewerage	(260,996)	-	-	-	-	-	(260,996)	-	-	-	-	-	-	(260,996)
Road Transport/Roads	(59,044)	-	-	-	-	-	(59,044)	-	-	-	-	-	-	(59,044)
Water/Water Distribution	256,190	-	-	-	-	-	256,190	-	-	-	-	-	-	256,190
Electricity /Electricity Distribution	101,132	-	-	-	-	-	101,132	-	-	-	-	-	-	101,132
Other/Air Transport	1,095,438,511	56,474	94,775	(94,681)	-	-	1,095,495,079	(440,996)	-	-	-	-	(440,996)	1,095,054,083
	<b>1,838,823,603</b>	<b>56,474</b>	<b>94,775</b>	<b>(94,681)</b>	<b>-</b>	<b>-</b>	<b>1,838,880,171</b>	<b>(440,996)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(440,996)</b>	<b>1,838,439,175</b>
<b>Total</b>														
Municipality	1,838,823,603	56,474	94,775	(94,681)	-	-	1,838,880,171	(440,996)	-	-	-	-	(440,996)	1,838,439,175
	<b>1,838,823,603</b>	<b>56,474</b>	<b>94,775</b>	<b>(94,681)</b>	<b>-</b>	<b>-</b>	<b>1,838,880,171</b>	<b>(440,996)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(440,996)</b>	<b>1,838,439,175</b>

Dihlabeng Local Municipality

Appendix F

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

June 2015

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
Equitable Share	National Government	15	15	15	15	-	-	-	-	-	-	-	-	-	-	-	No	Yes/ No	
Municipal Infrastructure grant	National Government	15	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Municipal systems improvement grant	National Government	15	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Financial management grant	National Government	20	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Regional Buld infrastructure grant	National Government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		65	15	15	15	-	-	-	-	-	-	-	-	-	-	-			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.